

# Copyright Law: Cases and Materials



**CHRISTOPHER M. HOLMAN**

University of Missouri-Kansas City  
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*CHRISTOPHER M. HOLMAN*

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# About the Author

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# Table of Contents

About The Author .....	iv
Notices .....	v
About eLangdell Press .....	vi
<b>Chapter 1: Introduction to Copyright Law .....</b>	<b>1</b>
<b>Chapter 2: Requirements for Copyrightability under the 1976 Act .....</b>	<b>3</b>
A. Copyrightable Subject Matter .....	3
B. Originality.....	4
<i>Burrow-Giles Lithographic Co. v. Sarony</i> .....	5
<i>Bleistein v. Donaldson Lithographing Co.</i> .....	9
<i>Feist Publications, Inc. v. Rural Tel. Serv. Co.</i> .....	12
<i>Meshwerks, Inc. v. Toyota Motor Sales U.S.A., Inc.</i> .....	23
<i>CDN Inc. v. Kapes</i> .....	33
C. Fixation.....	36
<b>Chapter 3: Copyrightability under the 1909 Act .....</b>	<b>40</b>
<b>Chapter 4: Limitations on Copyrightability.....</b>	<b>41</b>
A. The Idea-Expression Dichotomy .....	41
<i>Nichols v. Universal Pictures Corp.</i> .....	42
<i>Sissom v. Snow</i> .....	46
<i>Lotus Dev. Corp. v. Borland Int’l, Inc.</i> .....	49
B. Merger and Thin Protection.....	55
<i>Morrissey v. Procter &amp; Gamble Co.</i> .....	56
<i>Satava v. Lowry</i> .....	58
<i>Silvertop Assocs. Inc. v. Kangaroo Mfg. Inc.</i> .....	63
<i>CDN Inc. v. Kapes</i> .....	65
<i>Kregos v. Associated Press</i> .....	66
<i>Oracle Am., Inc. v. Google Inc.</i> .....	75
C. Government Works .....	82
<i>Georgia v. Public.Resource.Org, Inc.</i> .....	83

D. The Useful Article Doctrine .....	90
<i>Mazer v. Stein</i> .....	90
<i>Brandir Int’l, Inc. v. Cascade Pac. Lumber Co.</i> .....	94
<i>Star Athletica, L.L.C. v. Varsity Brands, Inc.</i> .....	103
<i>Liaigre, Inc. v. California Furniture Collection, Inc.</i> .....	113
<i>Silvertop Assocs. Inc. v. Kangaroo Mfg. Inc.</i> .....	124
<i>Lanard Toys Ltd. v. Dolgencorp LLC</i> .....	127
<b>Chapter 5: Copyright Ownership and Authorship .....</b>	<b>132</b>
A. Transfer of Copyright .....	132
<i>Effects Assocs., Inc. v. Cohen</i> .....	132
B. Joint Authorship .....	137
<i>Thomson v. Larson</i> .....	137
<i>16 Casa Duse, LLC v. Merkin</i> .....	146
C. Works Made for Hire .....	152
<i>Cmt’y. for Creative Non-Violence v. Reid</i> .....	153
<i>Horror Inc. v. Miller</i> .....	160
<i>Miller v. CP Chemicals, Inc.</i> .....	169
<b>Chapter 6: Formalities .....</b>	<b>174</b>
A. Publication with Notice .....	174
<i>Est. of Martin Luther King, Jr., Inc. v. CBS, Inc.</i> .....	175
B. Registration .....	181
<i>Unicolors, Inc. v. H&amp;M Hennes &amp; Mauritz, L. P.</i> .....	181
C. Deposit .....	186
<b>Chapter 7: Copyright Duration .....</b>	<b>189</b>
<i>Eldred v. Ashcroft</i> .....	189
<b>Chapter 8: Reversion of Renewal Rights and Termination .....</b>	<b>200</b>
<i>Stewart v. Abend</i> .....	201
<i>Marvel Characters, Inc. v. Simon</i> .....	210
<b>Chapter 9: Exclusive Rights of the Copyright Owner and Infringement .....</b>	<b>217</b>
A. The Reproduction Right .....	218
<i>Arnstein v. Porter</i> .....	219

<i>Rentmeester v. Nike, Inc.</i> .....	222
<i>Atari, Inc. v. N. Am. Philips Consumer Elecs. Corp.</i> .....	232
<i>Warner Bros. Entm't Inc. v. RDR Books</i> .....	239
<i>Allen v. Scholastic Inc.</i> .....	245
<i>Skidmore as Tr. for Randy Craig Wolfe Tr. v. Led Zeppelin</i> .....	258
<i>VMG Salsoul, LLC v. Ciccone</i> .....	269
B. The Derivative Works Right .....	279
<i>Micro Star v. Formgen Inc.</i> .....	280
<i>Schrock v. Learning Curve Int'l, Inc.</i> .....	284
C. The Distribution Right and the First Sale Doctrine .....	292
<i>Columbia Pictures Indus., Inc. v. Garcia</i> .....	293
<i>UMG Recordings, Inc. v. Augusto</i> .....	294
<i>London-Sire Recs., Inc. v. Doe I</i> .....	299
<i>Capitol Records, LLC v. ReDigi Inc.</i> .....	305
D. The Public Performance and Public Display Rights .....	311
<i>Columbia Pictures Indus., Inc. v. Aveco, Inc.</i> .....	312
<i>Cartoon Network LP, LLLP v. CSC Holdings, Inc.</i> .....	316
<i>Am. Broad. Companies, Inc. v. Aereo, Inc.</i> .....	327
<i>Perfect 10, Inc. v. Amazon.com, Inc.</i> .....	340
<i>Nicklen v. Sinclair Broad. Grp., Inc.</i> .....	345
E. The Digital Public Performance Right .....	350
<i>Arista Recs., LLC v. Launch Media, Inc.</i> .....	351
F. Moral Rights and VARA .....	359
<i>Castillo v. G&amp;M Realty L.P.</i> .....	360
<b>Chapter 10: Indirect Infringement</b> .....	<b>372</b>
<i>Fonovisa, Inc. v. Cherry Auction, Inc.</i> .....	373
<i>A &amp; M Recs., Inc. v. Abdallah</i> .....	377
<i>Sony Corp. v. Universal City Studios, Inc.</i> .....	379
<i>A&amp;M Recs., Inc. v. Napster, Inc.</i> .....	384
<i>In re Aimster Copyright Litig.</i> .....	388
<i>Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.</i> .....	395

<i>Perfect 10, Inc. v. Amazon.com, Inc.</i> .....	405
<i>Perfect 10, Inc. v. Visa Int’l Serv. Ass’n</i> .....	411
<i>BMG Rts. Mgmt. (US) LLC v. Cox Commc’ns, Inc.</i> .....	419
<i>Sony Music Ent. v. Cox Commc’ns, Inc.</i> , .....	423
<b>Chapter 11: DMCA Safe Harbors</b> .....	<b>431</b>
<i>Religious Tech. Center v. Netcom On–Line Comm</i> .....	431
<i>Capitol Recs., LLC v. Vimeo, LLC</i> .....	437
<i>EMI Christian Music Grp., Inc. v. MP3tunes, LLC</i> .....	447
<i>Ventura Content, Ltd. v. Motherless, Inc.</i> .....	453
<i>BMG Rts. Mgmt. (US) LLC v. Cox Commc’ns, Inc.</i> .....	466
<b>Chapter 12: Fair Use</b> .....	<b>473</b>
<i>Campbell v. Acuff-Rose Music, Inc.</i> .....	474
<i>Sony Corp. v. Universal City Studios, Inc.</i> .....	482
<i>Authors Guild v. Google, Inc.</i> .....	487
<i>Perfect 10, Inc. v. Amazon.com, Inc.</i> .....	502
<i>Sega Enterprises Ltd. v. Accolade, Inc.</i> .....	507
<i>Google LLC v. Oracle Am., Inc.</i> .....	515
<i>Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith</i> .....	524
<i>Am. Soc’y for Testing &amp; Materials v. Public.Resource.Org, Inc.</i> .....	540
<i>Philpot v. Indep. J. Rev.</i> .....	546
<b>Chapter 13: Remedies</b> .....	<b>555</b>
<i>Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc. (Frank Music I)</i> .....	555
<i>Frank Music Corp. v. Metro-Goldwyn-Mayer Inc. (Frank Music II)</i> .....	558
<i>Warner Bros. Entm’t v. X One X Prods. (Warner Bros. I)</i> .....	561
<i>Warner Bros. Entm’t v. X One X Prods. (Warner Bros. II)</i> .....	570
<i>Capitol Records, Inc. v. Thomas-Rasset</i> .....	573
<i>Am. Soc’y for Testing &amp; Materials v. Public.Resource.Org, Inc.</i> .....	580
<i>Columbia Pictures Indus., Inc. v. Garcia</i> .....	582
<i>EMI Christian Music Grp., Inc. v. MP3tunes, LLC</i> .....	583
<i>Ventura Content, Ltd. v. Motherless, Inc.</i> .....	586
<i>Glacier Films (USA), Inc. v. Turchin</i> .....	586

<i>Cobbler Nevada, LLC v. Gonzales</i> .....	594
<b>Chapter 14: Generative Artificial Intelligence</b> .....	<b>600</b>
<i>Thaler v. Perlmutter</i> .....	600
<i>Review Board Decision on Théâtre D’opéra Spatial</i> .....	607

# Chapter 1: Introduction to Copyright

The Intellectual Property (IP) Clause of the U.S. Constitution authorizes Congress “To promote the Progress of Science ... by securing for limited Times to Authors ... the exclusive Right to their ... Writings.”<sup>1</sup> Congress has exercised its authority under the IP Clause and enacted copyright law that provide the “authors” of creative “works” exclusive rights in those works.<sup>2</sup> Congress enacted the first copyright statute in 1790. Over the centuries, copyright has evolved substantially, and continues to evolve. The current Copyright Act was passed by Congress in 1976, and generally applies to any work that was created after the 1976 Act went into effect on January 1, 1978. Prior to the 1976 Act, some unpublished works were protected by a patchwork of state common law copyright regimes, but the 1976 Act explicitly preempts state copyright protection,<sup>3</sup> so that copyright in newly created works is governed solely by federal statute, i.e., 17 U.S.C. § 101 et seq.<sup>4</sup>

Federal copyright in works created prior to the effective date of the 1976 Act is generally governed by the Copyright Act of 1909, which was the copyright statute in force prior to the 1976 Act. As a consequence, much of the law set forth in the 1909 Act, which is fundamentally different from the law under the 1976 Act, is still relevant for older works. Copyright lasts a long time—some works created in 1929 are still covered by copyright as this edition of the book is being updated in 2024—and many of the works that are subject to litigation today are governed by the 1909 Act. For example, in a recent highly publicized case, Led Zeppelin was sued for copyright infringement based on the opening guitar section of *Stairway to Heaven* (often cited as the best rock song of all time). The allegedly infringed song, *Taurus*, recorded by the band Spirit in the 1960s, was created prior to 1978, and thus its copyright was governed by the law as set forth in the 1909 Act. The difference between the two statutes had a dramatic effect on the outcome of the case (to the benefit of Led Zeppelin).<sup>5</sup>

In the U.S., the primary objective of, and justification for, copyright law is utilitarian. Copyright is intended to incentivize the creation, publication, and distribution of creative works, such as literature, art, photographs, music, audiovisual works, and even computer programs. Significantly, the protection of copyright is limited to creative expression—it does not extend to the idea being expressed. This is probably the single most important principle of copyright law for students to learn and understand, and is often referred to as the idea-expression dichotomy. For example, the stories and characters of JK Rowling’s Harry Potter series are protected by copyright as the creative expression of their author, but the ideas underlying these expressions, such as the idea of a school of wizardry, fall outside the scope of the copyright, and are freely available for anyone to use. Similarly, the specific narrative of a book on the Civil War can be copyrighted, but the underlying historical facts fall into the “idea” category, and are thus free of any copyright restrictions. A newly devised cookie recipe cannot be copyrighted, since that would restrict access to the “idea” of the recipe. But a particularly creative way of explaining the recipe might be copyrightable, so long as the copyright does not extend to the recipe itself. Facts, ideas, and some useful articles cannot be copyrighted, irrespective of creative merit, or the amount of time that went into creating or discovering the idea or fact.<sup>6</sup>

The copyright is a property right that initially belongs to the author of the creative work, but which can be assigned or licensed to others. Copyright provides its owner with a number of exclusive rights to the copyrighted work, the most fundamental of which is the reproduction right, i.e., the right to make copies of the work. Other exclusive rights include the rights to distribute the work, to make derivatives of the work,



and to publicly perform or display the work. For example, it can be an act of copyright infringement to publicly perform a copyrighted musical work, or to sell unauthorized copies of a movie DVD.

In order to be copyrightable, an author's expressive work must be original, and it must be fixed in some tangible medium of expression. Only a minimal degree of originality is required, and fixation can come in many forms. For example, writing a course outline on a piece of paper using a pen, or by typing it into a Word document and saving it in digital form, will result in a copyright for that outline, so long as it bears at least a "modicum" of creativity. Significantly, no other actions are required for copyright protection. While it is possible to register a copyrighted work with the Copyright Office,<sup>7</sup> registration is not required for copyright protection (although there are some very good and practical reasons to register, as will be discussed later in this casebook), nor is publication or notice.

#### FOOTNOTES:

<sup>1</sup> U.S. Const. art. 1, § 8, cl. 8.

<sup>2</sup> Specifically, Article I, Section 8, Clause 8 of the Constitution states that "[Congress shall have power] To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

<sup>3</sup> See 17 U.S.C. § 301.

<sup>4</sup> The U.S. Copyright Office provides a copy of the Copyright Act at <https://www.copyright.gov/title17/>.

<sup>5</sup> The decision, *Skidmore v. Led Zeppelin*, appears later in this casebook.

<sup>6</sup> See 17 U.S.C. § 102(b).

<sup>7</sup> The U.S. Copyright Office is the federal agency that administers much of copyright law in the U.S., including copyright registration, rulemaking, and administrative adjudication.

# Chapter 2: Requirements for Copyrightability under the 1976 Act

In order for a “work” (e.g., a book, musical composition, movie, computer program, or sculpture) to be copyrighted under the 1976 Act, it must satisfy several criteria. In brief, it must be (1) copyrightable subject matter that is (2) “original” and (3) “fixed” in a tangible medium of expression. The following sections address these three requirements.

## A. Copyrightable Subject Matter

The 1976 Act explicitly defines the scope of copyrightable subject matter, and provides a non-exhaustive list comprising eight categories of copyrightable subject matter. In particular, Section 102(a) of the Act sets forth a positive definition of subject matter that is potentially eligible for copyright protection (so long as all of the other requirements of copyrightability are satisfied). Section 102(b), on the other hand, provides a negative definition of subject matter that is ineligible for copyright protection, regardless of whether it meets the other requirements of copyrightability.

Section 102(a) begins by broadly defining the scope of copyrightable subject matter as encompassing “original works of authorship fixed in any tangible medium of expression.” Note that this definition explicitly recites the requirements of “originality,” “fixation,” and “work of authorship.” These requirements predate the 1976 Act, and as we will discuss later, the Supreme Court has on various occasions declared them to be constitutional requirements of copyright law, mandated by the language of the IP Clause.

The 1976 Act does not provide an explicit definition for the term “works of authorship,” but § 102(a) does set forth a list of eight categories of “works of authorship.” The eight categories of works of authorship identified in § 102(a) are:

1. literary works;
2. musical works, including any accompanying words;
3. dramatic works, including any accompanying music;
4. pantomimes and choreographic works;
5. pictorial, graphic, and sculptural works;
6. motion pictures and other audiovisual works;
7. sound recordings; and
8. architectural works.

This list is non-exhaustive, in the sense that the Act leaves open the possibility that there are copyrightable “works of authorship” that do not fall within any of these eight categories. However, as a practical matter, the courts and the Copyright Office strive to assign any work deemed copyrightable to one or more of the

eight categories. For example, computer programs are generally classified as “literary works,” even though a computer program in its machine-readable format is simply a string of zeros and ones. In some cases, the rights of a copyright owner can depend on the category into which the work falls. For example, there is a public performance right for “musical works,” but not for “sound recordings.”<sup>1</sup>

Section 102(b) limits the scope of copyrightable subject matter by specifically defining subject matter that cannot be protected by copyright, even if it exists as part of an otherwise copyrightable original work of authorship:

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

The substance of 102(b) predates the 1976 Copyright Act, and the exclusion of ideas, procedures, etc., from copyright protection has been identified as a constitutional requirement by the Supreme Court on a number of occasions, as discussed elsewhere in this casebook. Section 102(b) embodies perhaps the most important principle of copyright law, the “idea-expression dichotomy,” which provides that, while the expression of an idea can be copyrighted, the underlying idea itself can never be copyrighted. In the context of the “idea-expression dichotomy,” the term “idea” is given a broad definition that encompasses not only “ideas,” but also methods (i.e., “any ... procedure, process, system, [or] method of operation”) and facts (i.e., “any ... concept, principle, or discovery”), as set forth in 102(b).

There are other limits on copyrightability. For example, the Act denies copyright protection to works created by the federal government. Additionally, the Copyright Office has identified the following as uncopyrightable subject matter, and will not register them: words and short phrases; familiar symbols or designs; mere variations of typographic ornamentation, lettering, or coloring; blank forms; standard calendars; and “typeface as typeface.”<sup>2</sup>

## B. Originality

Although the IP Clause does not specifically mention “originality,” the U.S. Supreme Court has nonetheless held that the Constitution implicitly requires originality in order for a work to be eligible for copyright protection.<sup>3</sup> As a consequence, Congress is foreclosed from extending copyright protection to non-original works, and the courts strive to interpret copyright law in a manner that only allows copyright protection for original works. In spite of its fundamental importance in setting the threshold requirement for copyrightability, “originality” is not explicitly defined in the Copyright Act. Congress has left that job to the courts. For a definition of “originality” in the copyright sense, we now turn to three seminal decisions of the U.S. Supreme Court that address the issue: *Burrow Giles*, *Bleistein*, and *Feist*, decided in 1884, 1903, and 1991, respectively.

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Some things to consider when reading *Burrow-Giles*:

1. The basis of the plaintiff's argument that Congress' decision to extend copyright protection to photographs was unconstitutional.
2. The Court's rationale for rejecting this argument.
3. The guidance provided by the Court as to where to draw the line between copyrightable and uncopyrightable photographs.
4. The potential applicability of the decision for assessing the copyrightability of works created through the use of artificial intelligence (AI).
5. The photographer's likely forfeiture of copyright in the photograph if he had not included proper notice, including his name and the date of copyright. (The significance of publication with notice is discussed in more detail later in this casebook.)

### *Burrow-Giles Lithographic Co. v. Sarony*

111 U.S. 53 (1884)

MILLER, J.

This is a writ of error to the circuit court for the southern district of New York. Plaintiff is a lithographer, and defendant a photographer, with large business in those lines in the city of New York. The suit was commenced by an action at law in which Sarony was plaintiff and the lithographic company was defendant, the plaintiff charging the defendant with violating his copyright in regard to a photograph, the title of which is 'Oscar Wilde, No. 18.' A jury being waived, the court made a finding of facts on which a judgment in favor of the plaintiff was rendered for the sum of \$600 for the plates and 85,000 copies sold and exposed to sale, and \$10 for copies found in his possession, as penalties under section 4965 of the Revised Statutes. Among the finding of facts made by the court the following presents the principal question raised by the assignment of errors in the case:

'(3) That the plaintiff, about the month of January, 1882, under an agreement with Oscar Wilde, became and was the author, inventor, designer, and proprietor of the photograph in suit, the title of which is 'Oscar Wilde, No. 18,' being the number used to designate this particular photograph and of the negative thereof; that the same is a useful, new, harmonious, characteristic, and graceful picture, and that said plaintiff made the same at his place of business in said city of New York, and within the United States, entirely from his own original mental conception, to which he gave visible form by posing the said Oscar Wilde in front of the camera, selecting and arranging the costume, draperies, and other various accessories in said photograph, arranging the subject so as to present graceful outlines, arranging and disposing the light and shade, suggesting and evoking the desired expression, and from such disposition, arrangement, or representation, made entirely by the plaintiff, he produced the picture in suit, Exhibit A, April 14, 1882, and that the terms 'author,' 'inventor,' and 'designer,' as used in the art of photography and in the complaint, mean the person who so produced the photograph.'

Other findings leave no doubt that plaintiff had taken all the steps required by the act of congress to obtain copyright of this photograph, and section 4952 names photographs, among other things, for which the author, inventor, or designer may obtain copyright, which is to secure him the sole privilege of reprinting, publishing, copying, and vending the same. That defendant is liable, under that section and section 4965, there can be no question if those sections are valid as they relate to photographs.

Accordingly, the two assignments of error in this court by plaintiff in error are: (1) That the court below decided that congress had and has the constitutional right to protect photographs and negatives thereof by copyright. The second assignment related to the sufficiency of the words 'Copyright, 1882, by N. Sarony,' in the photographs, as a notice of the copyright of Napoleon Sarony, under the act of congress on that subject.

With regard to this latter question it is enough to say that the object of the statute is to give notice of the copyright to the public by placing upon each copy, in some visible shape, the name of the author, the existence of the claim of exclusive right, and the date at which this right was obtained. This notice is sufficiently given by the words 'Copyright, 1882, by N. Sarony,' found on each copy of the photograph. It clearly shows that a copyright is asserted, the date of which is 1882, and if the name Sarony alone was used, it would be a sufficient designation of the author until it is shown that there is some other Sarony. When, in addition to this, the initial letter of the Christian name Napoleon is also given, the notice is complete.



The constitutional question is not free from difficulty. The eighth section of the first article of the constitution [i.e., the "IP clause"] is the great repository of the powers of congress, and by the eight clause

of that section congress is authorized 'to promote the progress of science and useful arts, by securing, for limited times to authors and inventors the exclusive right to their respective writings and discoveries.' The argument here is that a photograph is not a writing nor the production of an author. Under the acts of congress designed to give effect to this section, the persons who are to be benefited are divided into two classes—authors and inventors. The monopoly which is granted to the former is called a copyright: that given to the latter, letters patent, or, in the familiar language of the present day, *patent-right*. We have then copyright and patent-right, and it is the first of these under which plaintiff asserts a claim for relief. It is insisted, in argument, that a photograph being a reproduction, on paper, of the exact features of some natural object, or of some person, is not a writing of which the producer is the author. Section 4952 of the Revised Statutes places photographs in the same class as things which may be copyrighted with 'books, maps, charts, dramatic or musical compositions, engravings, cuts, prints, paintings, drawings, statues, statuary, and models or designs intended to be perfected as works of the fine arts.' 'According to the practice of legislation in England and America, (says Judge BOUVIER, 2 Law Dict. 363,) the copyright is confined to the exclusive right secured to the author or proprietor of a writing or drawing which may be multiplied by the arts of printing in any of its branches.'

The first congress of the United States, sitting immediately after the formation of the constitution, enacted that the 'author or authors of any map, chart, book, or books, being a citizen or resident of the United States, shall have the sole right and liberty of printing, reprinting, publishing, and vending the same for the period of fourteen years from the recording of the title thereof in the clerk's office, as afterwards directed.' 1 St. p. 124, § 1. This statute not only makes maps and charts subjects of copyright, but mentions them before books in the order of designation. The second section of an act to amend this act, approved April 29, 1802, (2 St. 171,) enacts that from the first day of January thereafter he who shall invent and design, engrave, etch, or work, or from his own works shall cause to be designed and engraved, etched, or worked, any historical or other print or prints, shall have the same exclusive right for the term of 14 years from recording the title thereof as prescribed by law.

By the first section of the act of February 3, 1831, (4 St. 436,) entitled 'An act to amend the several acts respecting copyright, musical compositions, and cuts, in connection with prints and engravings,' are added, and the period of protection is extended to 28 years. The caption or title of this act uses the word 'copyright' for the first time in the legislation of congress.

The construction placed upon the constitution by the first act of 1790 and the act of 1802, by the men who were contemporary with its formation, many of whom were members of the convention which framed it, is of itself entitled to very great weight, and when it is remembered that the rights thus established have not been disputed during a period of nearly a century, it is almost conclusive. Unless, therefore, photographs can be distinguished in the classification of this point from the maps, charts, designs, engravings, etchings, cuts, and other prints, it is difficult to see why congress cannot make them the subject of copyright as well as the others. These statutes certainly answer the objection that books only, or writing, in the limited sense of a book and its author, are within the constitutional provision. Both these words are susceptible of a more enlarged definition than this. An author in that sense is he to whom anything owes its origin; originator; maker; one who completes a work of science or literature. So, also, no one would now claim that the word 'writing' in this clause of the constitution, though the only word used as to subjects in regard to which authors are to be secured, is limited to the actual script of the author, and excludes books and all other

printed matter. By writings in that clause is meant the literary productions of those authors, and congress very properly has declared these to include all forms of writing, printing, engravings, etchings, etc., by which the ideas in the mind of the author are given visible expression. The only reason why photographs were not included in the extended list in the act of 1802 is, probably, that they did not exist, as photography, as an art, was then unknown.

We entertain no doubt that the constitution is broad enough to cover an act authorizing copyright of photographs, so far as they are representatives of original intellectual conceptions of the author.

But it is said that an engraving, a painting, a print, does embody the intellectual conception of its author, in which there is novelty, invention, originality, and therefore comes within the purpose of the constitution in securing its exclusive use or sale to its author, while a photograph is the mere mechanical reproduction of the physical features or outlines of some object, animate or inanimate, and involves no originality of thought or any novelty in the intellectual operation connected with its visible reproduction in shape of a picture. That while the effect of light on the prepared plate may have been a discovery in the production of these pictures, and patents could properly be obtained for the combination of the chemicals, for their application to the paper or other surface, for all the machinery by which the light reflected from the object was thrown on the prepared plate, and for all the improvements in this machinery, and in the materials, the remainder of the process is merely mechanical, with no place for novelty, invention, or originality. It is simply the manual operation, by the use of these instruments and preparations, of transferring to the plate the visible representation of some existing object, the accuracy of this representation being its highest merit. This may be true in regard to the ordinary production of a photograph, and that in such case a copyright is no protection. On the question as thus stated we decide nothing.

The third finding of facts says, in regard to the photograph in question, that it is a 'useful, new, harmonious, characteristic, and graceful picture, and that plaintiff made the same \* \* \* entirely from his own original mental conception, to which he gave visible form by posing the said Oscar Wilde in front of the camera, selecting and arranging the costume, draperies, and other various accessories in said photograph, arranging the subject so as to present graceful outlines, arranging and disposing the light and shade, suggesting and evoking the desired expression, and from such disposition, arrangement, or representation, made entirely by plaintiff, he produced the picture in suit.' These findings, we think, show this photograph to be an original work of art, the product of plaintiff's intellectual invention, of which plaintiff is the author, and of a class of inventions for which the constitution intended that congress should secure to him the exclusive right to use, publish, and sell, as it has done by section 4952 of the Revised Statutes.

The judgment of the circuit court is accordingly affirmed.

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## Check Your Understanding – *Burrow-Giles*.<sup>[4](#)</sup>

**Question 1.** Which of the following is an important holding of *Burrow-Giles*?



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<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-1>

**Question 2.** How does the Burrow–Giles Court interpret the term “writings,” in the context of the IP Clause?



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<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-2>

**Question 3.** True or false. Congress could enact legislation under the IP Clause that extends copyright protection to all photographs.



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<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-3>

### Socratic Script

What limits does the IP Clause impose on Congress’ ability to expand the scope of copyrightable subject matter?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-4>

Why did the Court find it significant that the first congress of the United States, sitting immediately after the formation of the Constitution, enacted copyright legislation providing protection for maps and charts?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-5>

Some things to consider when reading *Bleistein*:

1. The question for the Court is essentially whether pictorial illustrations appearing on an advertisement



for a circus are sufficiently original for copyright protection.

2. In *Bleistein*, the Court sets a low bar for copyrightability with respect to the perceived “aesthetic value” of a work. What is the policy the Court identifies in support of this low bar, which has come to be referred to as *Bleistein*’s “aesthetic nondiscrimination” principle?
3. What is the question of statutory interpretation that arises in this case, and why did the defendant think it mattered?

### *Bleistein v. Donaldson Lithographing Co.*

188 U.S. 239 (1903)

HOLMES, Justice.

This case comes here from the United States circuit court of appeals for the sixth circuit by writ of error. The alleged infringements consisted in the copying in reduced form of three chromolithographs prepared by employees of the plaintiffs for advertisements of a circus owned by one Wallace. Each of the three contained a portrait of Wallace in the corner, and lettering bearing some slight relation to the scheme of decoration, indicating the subject of the design and the fact that the reality was to be seen at the circus. One of the designs was of an ordinary ballet, one of a number of men and women, described as the Stirk family, performing on bicycles, and one of groups of men and women whitened to represent statues. The circuit court directed a verdict for the defendant on the ground that the chromolithographs were not within the protection of the copyright law, and this ruling was sustained by the circuit court of appeals.



We shall do no more than mention the suggestion that painting and engraving, unless for a mechanical end, are not among the useful arts, the progress of which Congress is empowered by the Constitution to

promote. The Constitution does not limit the useful to that which satisfies immediate bodily needs. It is obvious also that the plaintiff's case is not affected by the fact, if it be one, that the pictures represent actual groups,—visible things. They seem from the testimony to have been composed from hints or description, not from sight of a performance. But even if they had been drawn from the life, that fact would not deprive them of protection. The opposite proposition would mean that a portrait by Velasquez or Whistler was common property because others might try their hand on the same face. Others are free to copy the original. They are not free to copy the copy. The copy is the personal reaction of an individual upon nature. Personality always contains something unique. It expresses its singularity even in handwriting, and a very modest grade of art has in it something irreducible, which is one man's alone. That something he may copyright unless there is a restriction in the words of the act.

If there is a restriction it is not to be found in the limited pretensions of these particular works. The least pretentious picture has more originality in it than directories and the like, which may be copyrighted. There is no reason to doubt that these prints in their *ensemble* and in all their details, in their design and particular combinations of figures, lines, and colors, are the original work of the plaintiffs' designer.

We assume that the construction of Rev. Stat. § 4952, allowing a copyright to the 'author, designer, or proprietor . . . of any engraving, cut, print . . . [or] chromo' is affected by the act of 1874. That section provides that, 'in the construction of this act, the words 'engraving,' 'cut,' and 'print' shall be applied only to pictorial illustrations or works connected with the fine arts.' We see no reason for taking the words 'connected with the fine arts' as qualifying anything except the word 'works,' but it would not change our decision if we should assume further that they also qualified 'pictorial illustrations,' as the defendant contends.

These chromolithographs are 'pictorial illustrations.' The act, however construed, does not mean that ordinary posters are not good enough to be considered within its scope. The antithesis to 'illustrations or works connected with the fine arts' is not works of little merit or of humble degree, or illustrations addressed to the less educated classes; it is 'prints or labels designed to be used for any other articles of manufacture.' Certainly works are not the less connected with the fine arts because their pictorial quality attracts the crowd, and therefore gives them a real use,—if use means to increase trade and to help to make money. A picture is none the less a picture, and none the less a subject of copyright, that it is used for an advertisement. And if pictures may be used to advertise soap, or the theatre, or monthly magazines, as they are, they may be used to advertise a circus. Of course, the ballet is as legitimate a subject for illustration as any other. A rule cannot be laid down that would excommunicate the paintings of Degas.

It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits. At the one extreme, some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke. It may be more than doubted, for instance, whether the etchings of Goya or the paintings of Manet would have been sure of protection when seen for the first time. At the other end, copyright would be denied to pictures which appealed to a public less educated than the judge. Yet if they command the interest of any public, they have a commercial value,—it would be bold to say that they have not an aesthetic and educational value,—and the taste of any public is not to be treated with contempt. It is an ultimate fact for the moment, whatever may be our hopes for a change. That these pictures had their worth and their success is sufficiently shown by the desire to

reproduce them without regard to the plaintiffs' rights. We are of opinion that there was evidence that the plaintiffs have rights entitled to the protection of the law.

The judgment of the Circuit Court of Appeals is reversed; the judgment of the Circuit Court is also reversed and the cause remanded to that court with directions to set aside the verdict and grant a new trial.

HARLAN, Justice, dissenting.

I dissent from the opinion and judgment of this court. The clause of the Constitution giving Congress power to promote the progress of science and useful arts, by securing for limited terms to authors and inventors the exclusive right to their respective works and discoveries, does not, as I think, embrace a mere advertisement of a circus.

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## Check Your Understanding – *Bleistein*

**Question 1.** What does the *Bleistein* Court hold?



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<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-6>

Some things to consider when reading *Feist*:

1. The Court's holding regarding the originality required for a work to be copyrightable, and the idea-expression dichotomy.
2. The policy basis for the Court's decision.
3. The constitutional basis for the Court's decision.
4. The Court's discussion of the "sweat of the brow" theory.
5. The concept of "thin" copyright protection, which will be explicitly addressed later in this casebook.
6. The Court's statement of the elements of a copyright cause of action.
7. The extent to which a factual compilation can be copyrighted, even though the underlying facts cannot be copyrighted.
8. Why do you think that Rural inserted fictitious listings into its directory?

## *Feist Publications, Inc. v. Rural Tel. Serv. Co.*

499 U.S. 340 (1991)

O'CONNOR, Justice.

This case requires us to clarify the extent of copyright protection available to telephone directory white pages.

### I

Rural Telephone Service Company, Inc., is a certified public utility that provides telephone service to several communities in northwest Kansas. It is subject to a state regulation that requires all telephone companies operating in Kansas to issue annually an updated telephone directory. Accordingly, as a condition of its monopoly franchise, Rural publishes a typical telephone directory, consisting of white pages and yellow pages. The white pages list in alphabetical order the names of Rural's subscribers, together with their towns and telephone numbers. The yellow pages list Rural's business subscribers alphabetically by category and feature classified advertisements of various sizes. Rural distributes its directory free of charge to its subscribers, but earns revenue by selling yellow pages advertisements.

Feist Publications, Inc., is a publishing company that specializes in area-wide telephone directories. Unlike a typical directory, which covers only a particular calling area, Feist's area-wide directories cover a much larger geographical range, reducing the need to call directory assistance or consult multiple directories. The Feist directory that is the subject of this litigation covers 11 different telephone service areas in 15 counties and contains 46,878 white pages listings—compared to Rural's approximately 7,700 listings. Like Rural's directory, Feist's is distributed free of charge and includes both white pages and yellow pages. Feist and Rural compete vigorously for yellow pages advertising.

As the sole provider of telephone service in its service area, Rural obtains subscriber information quite easily. Persons desiring telephone service must apply to Rural and provide their names and addresses; Rural then assigns them a telephone number. Feist is not a telephone company, let alone one with monopoly status, and therefore lacks independent access to any subscriber information. To obtain white pages listings for its area-wide directory, Feist approached each of the 11 telephone companies operating in northwest Kansas and offered to pay for the right to use its white pages listings.

Of the 11 telephone companies, only Rural refused to license its listings to Feist. Rural's refusal created a problem for Feist, as omitting these listings would have left a gaping hole in its area-wide directory, rendering it less attractive to potential yellow pages advertisers. In a decision subsequent to that which we review here, the District Court determined that this was precisely the reason Rural refused to license its listings. The refusal was motivated by an unlawful purpose “to extend its monopoly in telephone service to a monopoly in yellow pages advertising.”

Unable to license Rural's white pages listings, Feist used them without Rural's consent. Feist began by removing several thousand listings that fell outside the geographic range of its area-wide directory, then hired personnel to investigate the 4,935 that remained. These employees verified the data reported by Rural and sought to obtain additional information. As a result, a typical Feist listing includes the individual's

street address; most of Rural's listings do not. Notwithstanding these additions, however, 1,309 of the 46,878 listings in Feist's 1983 directory were identical to listings in Rural's 1982–1983 white pages. Four of these were fictitious listings that Rural had inserted into its directory to detect copying.

Rural sued for copyright infringement in the District Court for the District of Kansas taking the position that Feist, in compiling its own directory, could not use the information contained in Rural's white pages. Rural asserted that Feist's employees were obliged to travel door-to-door or conduct a telephone survey to discover the same information for themselves. Feist responded that such efforts were economically impractical and, in any event, unnecessary because the information copied was beyond the scope of copyright protection. The District Court granted summary judgment to Rural, explaining that "[c]ourts have consistently held that telephone directories are copyrightable" and citing a string of lower court decisions. The Court of Appeals for the Tenth Circuit affirmed. We granted certiorari to determine whether the copyright in Rural's directory protects the names, towns, and telephone numbers copied by Feist.

## II

### A

This case concerns the interaction of two well-established propositions. The first is that facts are not copyrightable; the other, that compilations of facts generally are. Each of these propositions possesses an impeccable pedigree. That there can be no valid copyright in facts is universally understood. The most fundamental axiom of copyright law is that "[n]o author may copyright his ideas or the facts he narrates." *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 556 (1985). At the same time, however, it is beyond dispute that compilations of facts are within the subject matter of copyright. Compilations were expressly mentioned in the Copyright Act of 1909, and again in the Copyright Act of 1976.

There is an undeniable tension between these two propositions. Many compilations consist of nothing but raw data—i.e., wholly factual information not accompanied by any original written expression. On what basis may one claim a copyright in such a work? Common sense tells us that 100 uncopyrightable facts do not magically change their status when gathered together in one place. Yet copyright law seems to contemplate that compilations that consist exclusively of facts are potentially within its scope.

The key to resolving the tension lies in understanding why facts are not copyrightable. The *sine qua non* of copyright is originality. To qualify for copyright protection, a work must be original to the author. See *Harper & Row, supra*, at 547–549. 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. 1 M. Nimmer & D. Nimmer, Copyright §§ 2.01[A], [B] (1990) (hereinafter Nimmer). To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, "no matter how crude, humble or obvious" it might be. Originality does not signify novelty; a work may be original even though it closely resembles other works so long as the similarity is fortuitous, not the result of copying. To illustrate, assume that two poets, each ignorant of the other, compose identical poems. Neither work is novel, yet both are original and, hence, copyrightable.

Originality is a constitutional requirement. The source of Congress' power to enact copyright laws is Article I, § 8, cl. 8, of the Constitution, which authorizes Congress to "secur[e] for limited Times to Authors ... the

exclusive Right to their respective Writings.” In two decisions from the late 19th century—*The Trade-Mark Cases*, 100 U.S. 82 (1879); and *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884)—this Court defined the crucial terms “authors” and “writings.” In so doing, the Court made it unmistakably clear that these terms presuppose a degree of originality.

In *The Trade-Mark Cases*, the Court addressed the constitutional scope of “writings.” For a particular work to be classified “under the head of writings of authors,” the Court determined, “originality is required.” The Court explained that originality requires independent creation plus a modicum of creativity: “[W]hile the word *writings* may be liberally construed, as it has been, to include original designs for engraving, prints, &c., it is only such as are *original*, and are founded in the creative powers of the mind. The writings which are to be protected are *the fruits of intellectual labor*, embodied in the form of books, prints, engravings, and the like.”

In *Burrow-Giles*, the Court distilled the same requirement from the Constitution’s use of the word “authors.” The Court defined “author,” in a constitutional sense, to mean “he to whom anything owes its origin; originator; maker.” As in *The Trade-Mark Cases*, the Court emphasized the creative component of originality. The originality requirement articulated in *The Trade-Mark Cases* and *Burrow-Giles* remains the touchstone of copyright protection today. It is the very “premise of copyright law.”

It is this bedrock principle of copyright that mandates the law’s seemingly disparate treatment of facts and factual compilations. “No one may claim originality as to facts.” This is because facts do not owe their origin to an act of authorship. The distinction is one between creation and discovery: The first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence. Census takers, for example, do not “create” the population figures that emerge from their efforts; in a sense, they copy these figures from the world around them. Census data therefore do not trigger copyright because these data are not “original” in the constitutional sense. The same is true of all facts—scientific, historical, biographical, and news of the day. They may not be copyrighted and are part of the public domain available to every person.”

Factual compilations, on the other hand, may possess the requisite originality. The compilation author typically chooses which facts to include, in what order to place them, and how to arrange the collected data so that they may be used effectively by readers. These choices as to selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws. Thus, even a directory that contains absolutely no protectible written expression, only facts, meets the constitutional minimum for copyright protection if it features an original selection or arrangement.

This protection is subject to an important limitation. The mere fact that a work is copyrighted does not mean that every element of the work may be protected. Originality remains the *sine qua non* of copyright; accordingly, copyright protection may extend only to those components of a work that are original to the author. Others may copy the underlying facts from the publication, but not the precise words used to present them. In *Harper & Row*, for example, we explained that President Ford could not prevent others from copying bare historical facts from his autobiography, but that he could prevent others from copying his “subjective descriptions and portraits of public figures.” Where the compilation author adds no written expression but rather lets the facts speak for themselves, the expressive element is more elusive. The only

conceivable expression is the manner in which the compiler has selected and arranged the facts. Thus, if the selection and arrangement are original, these elements of the work are eligible for copyright protection. No matter how original the format, however, the facts themselves do not become original through association.

This inevitably means that the copyright in a factual compilation is thin. Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another's publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement.

It may seem unfair that much of the fruit of the compiler's labor may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not "some unforeseen byproduct of a statutory scheme." *Harper & Row*, 471 U.S., at 589. It is, rather, "the essence of copyright," *ibid.*, and a constitutional requirement. The primary objective of copyright is not to reward the labor of authors, but "[t]o promote the Progress of Science and useful Arts." Art. I, § 8, cl. 8. To this end, copyright assures authors the right to their original expression, but encourages others to build freely upon the ideas and information conveyed by a work. This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship. As applied to a factual compilation, assuming the absence of original written expression, only the compiler's selection and arrangement may be protected; the raw facts may be copied at will. This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art.

This Court has long recognized that the fact/expression dichotomy limits severely the scope of protection in fact-based works. More than a century ago, the Court observed: "The very object of publishing a book on science or the useful arts is to communicate to the world the useful knowledge which it contains. But this object would be frustrated if the knowledge could not be used without incurring the guilt of piracy of the book." *Baker v. Selden*, 101 U.S. 99, 103 (1880). We reiterated this point in *Harper & Row*:

[N]o author may copyright facts or ideas. The copyright is limited to those aspects of the work—termed 'expression'—that display the stamp of the author's originality.

"[C]opyright does not prevent subsequent users from copying from a prior author's work those constituent elements that are not original—for example ... facts, or materials in the public domain—as long as such use does not unfairly appropriate the author's original contributions.

This, then, resolves the doctrinal tension: Copyright treats facts and factual compilations in a wholly consistent manner. Facts, whether alone or as part of a compilation, are not original and therefore may not be copyrighted. A factual compilation is eligible for copyright if it features an original selection or arrangement of facts, but the copyright is limited to the particular selection or arrangement. In no event may copyright extend to the facts themselves.

## B

As we have explained, originality is a constitutionally mandated prerequisite for copyright protection. The Court's decisions announcing this rule predate the Copyright Act of 1909, but ambiguous language in the 1909 Act caused some lower courts temporarily to lose sight of this requirement.

Most courts construed the 1909 Act correctly, notwithstanding the less-than-perfect statutory language.

They understood from this Court's decisions that there could be no copyright without originality. But some courts misunderstood the statute, focusing their attention on § 5 of the Act, [which identified compilations as a category of potentially copyrightable work]. Section 5 did not purport to say that all compilations were automatically copyrightable. Nevertheless, the fact that factual compilations were mentioned specifically in § 5 led some courts to infer erroneously that directories and the like were copyrightable *per se*, without any further or precise showing of original—personal—authorship.

Making matters worse, these courts developed a new theory to justify the protection of factual compilations. Known alternatively as “sweat of the brow” or “industrious collection,” the underlying notion was that copyright was a reward for the hard work that went into compiling facts. The classic formulation of the doctrine appeared in *Jeweler's Circular Publishing Co.*, 281 F., at 88:

The right to copyright a book upon which one has expended labor in its preparation does not depend upon whether the materials which he has collected consist or not of matters which are publici juris, or whether such materials show literary skill or *originality*, either in thought or in language, or anything more than industrious collection. The man who goes through the streets of a town and puts down the names of each of the inhabitants, with their occupations and their street number, acquires material of which he is the author.

The “sweat of the brow” doctrine had numerous flaws, the most glaring being that it extended copyright protection in a compilation beyond selection and arrangement—the compiler's original contributions—to the facts themselves. Under the doctrine, the only defense to infringement was independent creation. A subsequent compiler was not entitled to take one word of information previously published, but rather had to independently work out the matter for himself, so as to arrive at the same result from the same common sources of information. “Sweat of the brow” courts thereby eschewed the most fundamental axiom of copyright law—that no one may copyright facts or ideas.

Without a doubt, the “sweat of the brow” doctrine flouted basic copyright principles. Throughout history, copyright law has recognized a greater need to disseminate factual works than works of fiction or fantasy. But “sweat of the brow” courts took a contrary view; they handed out proprietary interests in facts and declared that authors are absolutely precluded from saving time and effort by relying upon the facts contained in prior works. Protection for the fruits of such research may in certain circumstances be available under a theory of unfair competition. But to accord copyright protection on this basis alone distorts basic copyright principles in that it creates a monopoly in public domain materials without the necessary justification of protecting and encouraging the creation of “writings” by “authors.”

## C

“Sweat of the brow” decisions did not escape the attention of the Copyright Office. When Congress decided to overhaul the copyright statute and asked the Copyright Office to study existing problems, see *Mills Music, Inc. v. Snyder*, 469 U.S. 153, 159, 105 S.Ct. 638, 642, 83 L.Ed.2d 556 (1985), the Copyright Office promptly recommended that Congress clear up the confusion in the lower courts as to the basic standards of copyrightability. The Register of Copyrights explained in his first report to Congress that “originality” was a “basic requisit[e]” of copyright under the 1909 Act, but that “the absence of any reference to [originality] in the statute seems to have led to misconceptions as to what is copyrightable matter.” Report of the Register



of Copyrights on the General Revision of the U.S. Copyright Law, 87th Cong., 1st Sess., p. 9 (H. Judiciary Comm. Print 1961). The Register suggested making the originality requirement explicit. *Ibid.*

[When Congress enacted the Copyright Act of 1976, it made the originality requirement explicit by dropping the reference to “all the writings of an author” and replaced it with the phrase “original works of authorship.” 17 U.S.C. § 102(a).] In making explicit the originality requirement, Congress announced that it was merely clarifying existing law: “The two fundamental criteria of copyright protection [are] originality and fixation in tangible form.... The phrase ‘original works of authorship,’ which is purposely left undefined, is intended to incorporate without change *the standard of originality established by the courts under the present [1909] copyright statute.*” H.R.Rep. No. 94-1476, p. 51 (1976) (emphasis added) (hereinafter H.R.Rep.); S.Rep. No. 94-473, p. 50 (1975), U.S.Code Cong. & Admin.News 1976, pp. 5659, 5664 (emphasis added) (hereinafter S.Rep.).

To ensure that the mistakes of the “sweat of the brow” courts would not be repeated, Congress took additional measures. For example, § 3 of the 1909 Act had stated that copyright protected only the “copyrightable component parts” of a work, but had not identified originality as the basis for distinguishing those component parts that were copyrightable from those that were not. The 1976 Act deleted this section and replaced it with § 102(b), which identifies specifically those elements of a work for which copyright is not available: “In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.” Section 102(b) is universally understood to prohibit any copyright in facts. As with § 102(a), Congress emphasized that § 102(b) did not change the law, but merely clarified it: “Section 102(b) in no way enlarges or contracts the scope of copyright protection under the present law. Its purpose is to restate ... that the basic dichotomy between expression and idea remains unchanged.” H.R.Rep., at 57; S.Rep., at 54, U.S.Code Cong. & Admin.News 1976, p. 5670.

Congress took another step to minimize confusion by deleting the specific mention of “directories ... and other compilations” in § 5 of the 1909 Act. As mentioned, this section had led some courts to conclude that directories were copyrightable *per se* and that every element of a directory was protected. In its place, Congress enacted two new provisions. First, to make clear that compilations were not copyrightable *per se*, Congress provided a definition of the term “compilation.” Second, to make clear that the copyright in a compilation did not extend to the facts themselves, Congress enacted § 103.

The definition of “compilation” is found in § 101 of the 1976 Act. It defines a “compilation” in the copyright sense as “a work formed by the collection and assembling of preexisting materials or of data *that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship*” (emphasis added).

The purpose of the statutory definition is to emphasize that collections of facts are not copyrightable *per se*. It conveys this message through its tripartite structure, as emphasized above by the italics. The statute identifies three distinct elements and requires each to be met for a work to qualify as a copyrightable compilation: (1) the collection and assembly of pre-existing material, facts, or data; (2) the selection, coordination, or arrangement of those materials; and (3) the creation, by virtue of the particular selection, coordination, or arrangement, of an “original” work of authorship.

At first glance, the first requirement does not seem to tell us much. It merely describes what one normally thinks of as a compilation—a collection of pre-existing material, facts, or data. What makes it significant is that it is not the sole requirement. It is not enough for copyright purposes that an author collects and assembles facts. To satisfy the statutory definition, the work must get over two additional hurdles. In this way, the plain language indicates that not every collection of facts receives copyright protection. Otherwise, there would be a period after “data.”

The third requirement is also illuminating. It emphasizes that a compilation, like any other work, is copyrightable only if it satisfies the originality requirement (“an *original* work of authorship”). Although § 102 states plainly that the originality requirement applies to all works, the point was emphasized with regard to compilations to ensure that courts would not repeat the mistake of the “sweat of the brow” courts by concluding that fact-based works are treated differently and measured by some other standard.

The key to the statutory definition is the second requirement. It instructs courts that, in determining whether a fact-based work is an original work of authorship, they should focus on the manner in which the collected facts have been selected, coordinated, and arranged. This is a straightforward application of the originality requirement. Facts are never original, so the compilation author can claim originality, if at all, only in the way the facts are presented. To that end, the statute dictates that the principal focus should be on whether the selection, coordination, and arrangement are sufficiently original to merit protection.

Not every selection, coordination, or arrangement will pass muster. This is plain from the statute. It states that, to merit protection, the facts must be selected, coordinated, or arranged “in such a way” as to render the work as a whole original. This implies that some “ways” will trigger copyright, but that others will not. Otherwise, the phrase “in such a way” is meaningless and Congress should have defined “compilation” simply as “a work formed by the collection and assembly of preexisting materials or data that are selected, coordinated, or arranged.” That Congress did not do so is dispositive. In accordance with the established principle that a court should give effect, if possible, to every clause and word of a statute, we conclude that the statute envisions that there will be some fact-based works in which the selection, coordination, and arrangement are not sufficiently original to trigger copyright protection.

As discussed earlier, however, the originality requirement is not particularly stringent. A compiler may settle upon a selection or arrangement that others have used; novelty is not required. Originality requires only that the author make the selection or arrangement independently (i.e., without copying that selection or arrangement from another work), and that it display some minimal level of creativity. Presumably, the vast majority of compilations will pass this test, but not all will. There remains a narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent. Such works are incapable of sustaining a valid copyright.

Even if a work qualifies as a copyrightable compilation, it receives only limited protection. This is the point of § 103 of the Act. Section 103 explains that “[t]he subject matter of copyright ... includes compilations,” § 103(a), but that copyright protects only the author’s original contributions—not the facts or information conveyed:

The copyright in a compilation ... extends only to the material contributed by the author of such

work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. § 103(b).

As § 103 makes clear, copyright is not a tool by which a compilation author may keep others from using the facts or data he or she has collected. The 1909 Act did not require, as “sweat of the brow” courts mistakenly assumed, that each subsequent compiler must start from scratch and is precluded from relying on research undertaken by another. Rather, the facts contained in existing works may be freely copied because copyright protects only the elements that owe their origin to the compiler—the selection, coordination, and arrangement of facts.

In summary, the 1976 revisions to the Copyright Act leave no doubt that originality, not “sweat of the brow,” is the touchstone of copyright protection in directories and other fact-based works. Nor is there any doubt that the same was true under the 1909 Act.

### III

There is no doubt that Feist took from the white pages of Rural’s directory a substantial amount of factual information. At a minimum, Feist copied the names, towns, and telephone numbers of 1,309 of Rural’s subscribers. Not all copying, however, is copyright infringement. 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. The first element is not at issue here; Feist appears to concede that Rural’s directory, considered as a whole, is subject to a valid copyright because it contains some foreword text, as well as original material in its yellow pages advertisements.

The question is whether Rural has proved the second element. In other words, did Feist, by taking 1,309 names, towns, and telephone numbers from Rural’s white pages, copy anything that was “original” to Rural? Certainly, the raw data does not satisfy the originality requirement. Rural may have been the first to discover and report the names, towns, and telephone numbers of its subscribers, but this data does not “owe its origin” to Rural. Rather, these bits of information are uncopyrightable facts; they existed before Rural reported them and would have continued to exist if Rural had never published a telephone directory.

The question that remains is whether Rural selected, coordinated, or arranged these uncopyrightable facts in an original way. As mentioned, originality is not a stringent standard; it does not require that facts be presented in an innovative or surprising way. It is equally true, however, that the selection and arrangement of facts cannot be so mechanical or routine as to require no creativity whatsoever. The standard of originality is low, but it does exist.

The selection, coordination, and arrangement of Rural’s white pages do not satisfy the minimum constitutional standards for copyright protection. As mentioned at the outset, Rural’s white pages are entirely typical. Persons desiring telephone service in Rural’s service area fill out an application and Rural issues them a telephone number. In preparing its white pages, Rural simply takes the data provided by its subscribers and lists it alphabetically by surname. The end product is a garden-variety white pages directory, devoid of even the slightest trace of creativity.

Rural’s selection of listings could not be more obvious: It publishes the most basic information—name, town, and telephone number—about each person who applies to it for telephone service. This is “selection” of

a sort, but it lacks the modicum of creativity necessary to transform mere selection into copyrightable expression. Rural expended sufficient effort to make the white pages directory useful, but insufficient creativity to make it original.

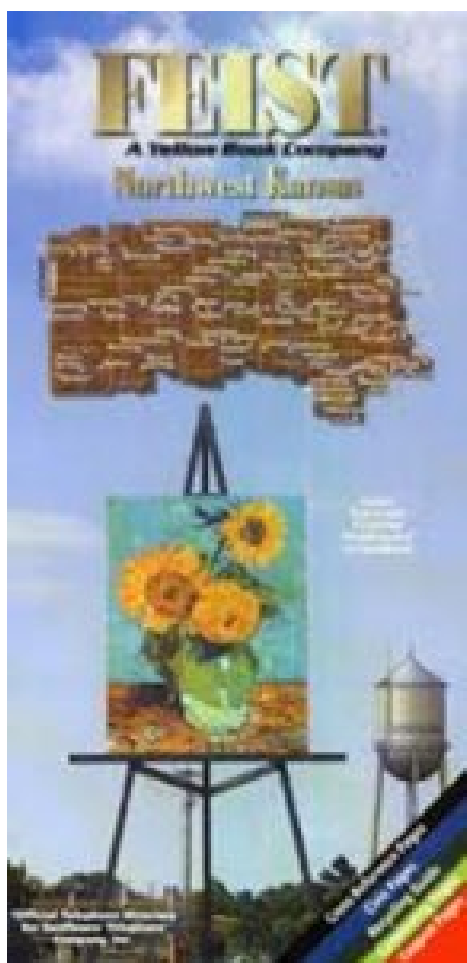
Nor can Rural claim originality in its coordination and arrangement of facts. The white pages do nothing more than list Rural's subscribers in alphabetical order. This arrangement may, technically speaking, owe its origin to Rural; no one disputes that Rural undertook the task of alphabetizing the names itself. But there is nothing remotely creative about arranging names alphabetically in a white pages directory. It is an age-old practice, firmly rooted in tradition and so commonplace that it has come to be expected as a matter of course. It is not only unoriginal, it is practically inevitable. This time-honored tradition does not possess the minimal creative spark required by the Copyright Act and the Constitution.

We conclude that the names, towns, and telephone numbers copied by Feist were not original to Rural and therefore were not protected by the copyright in Rural's combined white and yellow pages directory. As a constitutional matter, copyright protects only those constituent elements of a work that possess more than a *de minimis* quantum of creativity. Rural's white pages, limited to basic subscriber information and arranged alphabetically, fall short of the mark. As a statutory matter, 17 U.S.C. § 101 does not afford protection from copying to a collection of facts that are selected, coordinated, and arranged in a way that utterly lacks originality. Given that some works must fail, we cannot imagine a more likely candidate. Indeed, were we to hold that Rural's white pages pass muster, it is hard to believe that any collection of facts could fail.

Because Rural's white pages lack the requisite originality, Feist's use of the listings cannot constitute infringement. This decision should not be construed as demeaning Rural's efforts in compiling its directory, but rather as making clear that copyright rewards originality, not effort. As this Court noted more than a century ago, "great praise may be due to the plaintiffs for their industry and enterprise in publishing this paper, yet the law does not contemplate their being rewarded in this way." *Baker v. Selden*, 101 U.S., at 105.

The judgment of the Court of Appeals is *Reversed*.

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## Check Your Understanding – *Feist*

**Question 1.** According to Feist, what is the most fundamental axiom of copyright law?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-7>

**Question 2.** What does the Constitution require in order for a work to qualify for copyright protection?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-8>

**Question 3.** What are the two fundamental criteria of copyright protection?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-9>

**Question 4.** According to Feist, what elements must be proven in order to establish copyright infringement?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-10>

**Question 5.** True or false: The Feist Court concluded that Rural's selection, coordination, and arrangement of phone listings was not copyrightable because it lacked the modicum of creativity necessary to transform mere selection into copyrightable expression.



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-11>

## Socratic Script

What is required in order for a compilation of facts to be afforded copyright protection?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-12>

Give an example of a work that is copyrighted, but not every element of the work is protected.



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-13>

Some things to consider when reading *Meshwerks*:

1. Copyright registration will be addressed later in the book, but for now, note that a copyright claimant must register (or at least attempt to register) its copyright with the Copyright Office prior to bringing

- a lawsuit for infringement of that copyright. Pay attention to the role registration plays in this case.
2. The “delicate balance” that the IP Clause and Copyright Act seek to strike.
  3. The court’s application of *Feist* and *Burrow–Giles* to computer-generated illustrations, more particularly, digital models of automobiles.
  4. The implicit reference to “sweat of the brow,” and *Feist*’s rejection of that doctrine.
  5. Why the court finds that the digital models are insufficiently original for copyright protection.
  6. Potential implications of this decision for the copyrightability of photographs and other images that realistically portray something (or someone) that exists in the real world.

### *Meshwerks, Inc. v. Toyota Motor Sales U.S.A., Inc.*

528 F.3d 1258 (10th Cir. 2008)

GORSUCH, Circuit Judge.

This case calls on us to apply copyright principles to a relatively new technology: digital modeling. Meshwerks insists that, contrary to the district court’s summary judgment determination, its digital models of Toyota cars and trucks are sufficiently original to warrant copyright protection. Meshwerks’ models, which form the base layers of computerized substitutes for product photographs in advertising, are unadorned, digital wire-frames of Toyota’s vehicles. While fully appreciating that digital media present new frontiers for copyrightable creative expression, in this particular case the uncontested facts reveal that Meshwerks’ models owe their designs and origins to Toyota and deliberately do not include anything original of their own; accordingly, we hold that Meshwerks’ models are not protected by copyright and affirm.

#### I

#### A

In 2003, and in conjunction with Saatchi & Saatchi, its advertising agency, Toyota began work on its model-year 2004 advertising campaign. Saatchi and Toyota agreed that the campaign would involve, among other things, digital models of Toyota’s vehicles for use on Toyota’s website and in various other media. These digital models have substantial advantages over the product photographs for which they substitute. With a few clicks of a computer mouse, the advertiser can change the color of the car, its surroundings, and even edit its physical dimensions to portray changes in vehicle styling; before this innovation, advertisers had to conduct new photo shoots of whole fleets of vehicles each time the manufacturer made even a small design change to a car or truck.

To supply these digital models, Saatchi and Toyota hired Grace & Wild, Inc. (“G & W”). In turn, G & W subcontracted with Meshwerks to assist with two initial aspects of the project—digitization and modeling. Digitizing involves collecting physical data points from the object to be portrayed. In the case of Toyota’s vehicles, Meshwerks took copious measurements of Toyota’s vehicles by covering each car, truck, and van with a grid of tape and running an articulated arm tethered to a computer over the vehicle to measure all points of intersection in the grid. Based on these measurements, modeling software then generated a

digital image resembling a wire-frame model. In other words, the vehicles' data points (measurements) were mapped onto a computerized grid and the modeling software connected the dots to create a "wire frame" of each vehicle.

At this point, however, the on-screen image remained far from perfect and manual "modeling" was necessary. Meshwerks personnel fine-tuned or, as the company prefers it, "sculpted," the lines on screen to resemble each vehicle as closely as possible. Approximately 90 percent of the data points contained in each final model, Meshwerks represents, were the result not of the first-step measurement process, but of the skill and effort its digital sculptors manually expended at the second step. For example, some areas of detail, such as wheels, headlights, door handles, and the Toyota emblem, could not be accurately measured using current technology; those features had to be added at the second "sculpting" stage, and Meshwerks had to recreate those features as realistically as possible by hand, based on photographs. Even for areas that were measured, Meshwerks faced the challenge of converting measurements taken of a three-dimensional car into a two-dimensional computer representation; to achieve this, its modelers had to sculpt, or move, data points to achieve a visually convincing result. The purpose and product of these processes, after nearly 80 to 100 hours of effort per vehicle, were two-dimensional wire-frame depictions of Toyota's vehicles that appeared three-dimensional on screen, but were utterly unadorned—lacking color, shading, and other details. Attached to this opinion as Appendix A are sample screen-prints of one of Meshwerks' digital wire-frame models.

With Meshwerks' wire-frame products in hand, G & W then manipulated the computerized models by, first, adding detail, the result of which appeared on screen as a "tightening" of the wire frames, as though significantly more wires had been added to the frames, or as though they were made of a finer mesh. Next, G & W digitally applied color, texture, lighting, and animation for use in Toyota's advertisements. An example of G & W's work product is attached as Appendix B to this opinion. G & W's digital models were then sent to Saatchi to be employed in a number of advertisements prepared by Saatchi and Toyota in various print, online, and television media.

## **B**

This dispute arose because, according to Meshwerks, it contracted with G & W for only a single use of its models—as part of one Toyota television commercial—and neither Toyota nor any other defendant was allowed to use the digital models created from Meshwerks' wire-frames in other advertisements. Thus, Meshwerks contends defendants improperly—in violation of copyright laws as well as the parties' agreement—reused and redistributed the models created by Meshwerks in a host of other media. In support of the allegations that defendants misappropriated its intellectual property, Meshwerks points to the fact that it sought and received copyright registration on its wire-frame models.<sup>5</sup>

In due course, defendants moved for summary judgment on the theory that Meshwerks' wire-frame models lacked sufficient originality to be protected by copyright. Specifically, defendants argued that any original expression found in Meshwerks' products was attributable to the Toyota designers who conceived of the vehicle designs in the first place; accordingly, defendants' use of the models could not give rise to a claim for copyright infringement.

The district court agreed. It found that the wire-frame models were merely copies of Toyota's products, not



sufficiently original to warrant copyright protection, and stressed that Meshwerks’ “intent was to replicate, as exactly as possible, the image of certain Toyota vehicles.” Because there was no valid copyright, there could be no infringement, and, having granted summary judgment on the federal copyright claim, the district court declined to exercise supplemental jurisdiction over Meshwerks’ state-law contract claim. Today, Meshwerks asks us to reverse and hold its digital, wire-frame models sufficiently original to warrant copyright protection.

## II

To make a case for copyright infringement, Meshwerks must show (1) it owns a valid copyright, and (2) defendants copied constituent elements of the work that are original to Meshwerks. Our inquiry in this case focuses on the first of these tests—that is, on the question whether Meshwerks held a valid copyright in its digital wire-frame models. Because Meshwerks obtained registration certificates for its models from the Copyright Office, we presume that it holds a valid copyright. See 17 U.S.C. § 410(c); *Palladium Music, Inc. v. EatSleepMusic, Inc.*, 398 F.3d 1193, 1196 (10th Cir. 2005). At the same time, defendants may overcome this presumption by presenting evidence and legal argument sufficient to establish that the works in question were not entitled to copyright protection. Because this case comes to us on summary judgment, we review the question whether Meshwerks holds a valid copyright *de novo* and will affirm the district court’s judgment only if, viewing all of the facts in the light most favorable to Meshwerks, we are able to conclude that “there is no genuine issue as to any material fact and that [defendants are] entitled to judgment as a matter of law.” Fed.R.Civ.P. 56(c).

### A

The Constitution authorizes Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. art. I, § 8, cl. 8. The Supreme Court has emphasized that the power afforded by this provision—namely, to give an author exclusive authority over a work—rests in part on a “presuppos[ition]” that the work contains “a degree of originality.” *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346 (1991). Congress has recognized this same point, extending copyright protection only to “original works of authorship....” 17 U.S.C. § 102 (emphasis added). Originality, thus, is said to be “[t]he *sine qua non* of copyright.” *Feist*, 499 U.S. at 345. That is, not every work of authorship, let alone every aspect of every work of authorship, is protectable in copyright; only original expressions are protected. This constitutional and statutory principle seeks to strike a delicate balance—rewarding (and thus encouraging) those who contribute something new to society, while also allowing (and thus stimulating) others to build upon, add to, and develop those creations.

What exactly does it mean for a work to qualify as “original”? In *Feist*, the Supreme Court clarified that the work must be “independently created by the author (as opposed to copied from other works).” In addition, the work must “possesses at least some minimal degree of creativity.”

The parties focus most of their energy in this case on the question whether Meshwerks’ models qualify as independent creations, as opposed to copies of Toyota’s handiwork. But what can be said, at least based on received copyright doctrine, to distinguish an independent creation from a copy? And how might that doctrine apply in an age of virtual worlds and digital media that seek to mimic the “real” world, but often

do so in ways that undoubtedly qualify as (highly) original? While there is little authority explaining how our received principles of copyright law apply to the relatively new digital medium before us, some lessons may be discerned from how the law coped in an earlier time with a previous revolution in technology: photography.

Photography was initially met by critics with a degree of skepticism: a photograph, some said, “copies everything and explains nothing,” and it was debated whether a camera could do anything more than merely record the physical world. These largely aesthetic debates migrated into legal territory when Oscar Wilde toured the United States in the 1880s and sought out Napoleon Sarony for a series of publicity photographs to promote the event. Burrow–Giles, a lithography firm, quickly copied one of Sarony’s photos and sold 85,000 prints without the photographer’s permission. Burrow–Giles defended its conduct on the ground that the photograph was a “mere mechanical reproduction of the physical features” of Wilde and thus not copyrightable. *Burrow–Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 59 (1884). Recognizing that Oscar Wilde’s inimitable visage does not belong, or “owe its origins” to any photographer, the Supreme Court noted that photographs may well sometimes lack originality and are thus not per se copyrightable. At the same time, the Court held, a copyright may be had to the extent a photograph involves “posing the said Oscar Wilde in front of the camera, selecting and arranging the costume, draperies, and other various accessories in said photograph, arranging the subject so as to present graceful outlines, arranging and disposing the light and shade, suggesting and evoking the desired expression....” Accordingly, the Court indicated, photographs are copyrightable, if only to the extent of their original depiction of the subject. Wilde’s image is not copyrightable; but to the extent a photograph reflects the photographer’s decisions regarding pose, positioning, background, lighting, shading, and the like, those elements can be said to “owe their origins” to the photographer, making the photograph copyrightable, at least to that extent.

As the Court more recently explained in *Feist*, the operative distinction is between, on the one hand, ideas or facts in the world, items that cannot be copyrighted, and a particular expression of that idea or fact, that can be. This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship. In the case of photographs, for which Meshwerks’ digital models were designed to serve as practically advantageous substitutes, authors are entitled to copyright protection only for the incremental contribution represented by their interpretation or expression of the objects of their attention.

## B

Applying these principles, evolved in the realm of photography, to the new medium that has come to supplement and even in some ways to supplant it, we think Meshwerks’ models are not so much independent creations as (very good) copies of Toyota’s vehicles. In reaching this conclusion we rely on (1) an objective assessment of the particular models before us and (2) the parties’ purpose in creating them. All the same, we do not doubt for an instant that the digital medium before us, like photography before it, can be employed to create vivid new expressions fully protectable in copyright.

## 1

Key to our evaluation of this case is the fact that Meshwerks’ digital wire-frame computer models depict Toyota’s vehicles without any individualizing features: they are untouched by a digital paintbrush; they are not depicted in front of a palm tree, whizzing down the open road, or climbing up a mountainside.

Put another way, Meshwerks' models depict nothing more than unadorned Toyota vehicles—the car as car. See Appendix A. And the unequivocal lesson from *Feist* is that works are not copyrightable to the extent they do not involve any expression apart from the raw facts in the world. A photographer is entitled to copyright solely based on lighting, angle, perspective, and the other ingredients that traditionally apply to that art-form.” It seems to us that exactly the same holds true with the digital medium now before us: the facts in this case unambiguously show that Meshwerks did not make any decisions regarding lighting, shading, the background in front of which a vehicle would be posed, the angle at which to pose it, or the like—in short, its models reflect none of the decisions that can make depictions of things or facts in the world, whether Oscar Wilde or a Toyota Camry, new expressions subject to copyright protection.

The primary case on which Meshwerks asks us to rely actually reinforces this conclusion. In *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068 (9th Cir. 2000) (*Skyy I*), the Ninth Circuit was faced with a suit brought by a plaintiff photographer who alleged that the defendant had infringed on his commercial photographs of a Skyy-brand vodka bottle. The court held that the vodka bottle, as a “utilitarian object,” a fact in the world, was not itself (at least usually) copyrightable. At the same time, the court recognized that plaintiff's photos reflected decisions regarding “lighting, shading, angle, background, and so forth,” and to the extent plaintiff's photographs reflected such original contributions the court held they could be copyrighted. In so holding, the Ninth Circuit reversed a district court's dismissal of the case and remanded the matter for further proceedings, and Meshwerks argues this analysis controls the outcome of its case.

But *Skyy I* tells only half the story. The case soon returned to the court of appeals, and the court held that the defendant's photos, which differed in terms of angle, lighting, shadow, reflection, and background, did not infringe on the plaintiff's copyrights. *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763, 765 (9th Cir. 2003) (*Skyy II*). Why? The only constant between the plaintiff's photographs and the defendant's photographs was the bottle itself, *id.* at 766, and an accurate portrayal of the unadorned bottle could not be copyrighted. Facts and ideas are the public's domain and open to exploitation to ensure the progress of science and the useful arts. Only original expressions of those facts or ideas are copyrightable, leaving the plaintiff in the *Skyy* case with an admittedly “thin” copyright offering protection perhaps only from exact duplication by others.

The teaching of *Skyy I* and *II*, then, is that the vodka bottle, because it did not owe its origins to the photographers, had to be filtered out to determine what copyrightable expression remained. And, by analogy—though not perhaps the one Meshwerks had in mind—we hold that the unadorned images of Toyota's vehicles cannot be copyrighted by Meshwerks and likewise must be filtered out. To the extent that Meshwerks' digital wire-frame models depict only those unadorned vehicles, having stripped away all lighting, angle, perspective, and “other ingredients” associated with an original expression, we conclude that they have left no copyrightable matter.

Confirming this conclusion as well is the peculiar place where Meshwerks stood in the model-creation pecking order. On the one hand, Meshwerks had nothing to do with designing the appearance of Toyota's vehicles, distinguishing them from any other cars, trucks, or vans in the world. That expressive creation took place *before* Meshwerks happened along, and was the result of work done by Toyota and its designers; indeed, at least six of the eight vehicles at issue are still covered by design patents belonging to Toyota and protecting the *appearances* of the objects for which they are issued. On the other hand, how the models

Meshwerks created were to be deployed in advertising—including the backgrounds, lighting, angles, and colors—were all matters left to those (G & W, Saatchi, and 3D Recon) who came *after* Meshwerks left the scene. Meshwerks thus played a narrow, if pivotal, role in the process by simply, if effectively, copying Toyota’s vehicles into a digital medium so they could be expressively manipulated by others.

Many other courts before us have denied copyright protection in analogous cases, involving copies of facts in the world, as well as copies of prior works of art. So, for example, in *Sparaco v. Lawler, Matusky, Skelly, Engineers LLP*, 303 F.3d 460, 467 (2d Cir. 2002), our sister circuit, relying on *Feist*, denied copyright protection to that portion of an architectural drawing setting forth “the existing physical characteristics of the site, including its shape and dimensions, the grade contours, and the location of existing elements, [as] it sets forth facts; copyright does not bar the copying of such facts.” See also *ATC Distr. Group, Inc. v. Whatever It Takes Transmissions & Parts, Inc.*, 402 F.3d 700, 712 (6th Cir. 2005) (denying copyright protection to catalog illustrations of transmission parts “copied from photographs cut out of competitors’ catalogs”); *Bridgeman Art Library, Ltd. v. Corel Corp.*, 36 F.Supp.2d 191, 197 (S.D.N.Y. 1999) (denying copyright protection to photographs that were “‘slavish copies’ of public domain works of art”).

It is certainly true that what Meshwerks accomplished was a peculiar kind of copying. It did not seek to recreate Toyota vehicles outright—steel, rubber, and all; instead, it sought to depict Toyota’s three-dimensional physical objects in a two-dimensional digital medium. But we hold, as many before us have already suggested, that, standing alone, “[t]he fact that a work in one medium has been copied from a work in another medium does not render it any the less a ‘copy.’” *Nimmer on Copyright* § 8.01[B]; see also *Durham Indus., Inc. v. Tomy Corp.*, 630 F.2d 905, 910 (2d Cir. 1980) (holding that “the mere reproduction of the Disney characters in plastic ... does not constitute originality as this Court has defined the term”); *Entm’t Research Group, Inc. v. Genesis Creative Group, Inc.*, 122 F.3d 1211, 1221–24 (9th Cir. 1997) (denying copyright protection to 3-D costumes based on 2-D cartoon characters).

In reaching this conclusion, we do not for a moment seek to downplay the considerable amount of time, effort, and skill that went into making Meshwerks’ digital wire-frame models. But, in assessing the originality of a work for which copyright protection is sought, we look only at the final *product*, not the process, and the fact that intensive, skillful, and even creative labor is invested in the process of creating a product does not guarantee its copyrightability.

## 2

Meshwerks’ intent in making its wire-frame models provides additional support for our conclusion. In this case, the undisputed evidence before us leaves no question that Meshwerks set out to copy Toyota’s vehicles, rather than to create, or even to add, any original expression.

Other courts before us have examined and relied on a putative copyright holder’s intent in holding that the resultant work was not original and thus subject to copyright protection. The Sixth Circuit, for example, held that a series of catalog illustrations depicting auto transmission parts were not independently copyrightable. *ATC Distrib. Group, Inc.*, 402 F.3d at 712. The drawings had been copied by hand from photographs in a competitor’s catalog. In denying copyright protection, the court emphasized that “[t]he illustrations were *intended* to be as accurate as possible in reproducing the parts shown in the photographs on which they were based, a form of slavish copying that is the antithesis of originality.” In *Bridgeman Art*

*Library*, the court examined whether color transparencies of public domain works of art were sufficiently original for copyright protection, ultimately holding that, as “exact photographic copies of public domain works of art,” they were not. 36 F.Supp.2d at 195. In support of its holding, the court looked to the plaintiff’s intent in creating the transparencies: where “the *point of the exercise* was to reproduce the underlying works with absolute fidelity,” the “spark of originality” necessary for copyright protection was absent. Precisely the same holds true here, where, by design, all that was left in Meshwerks’ digital wire-frame models were the designs of Toyota’s vehicles.

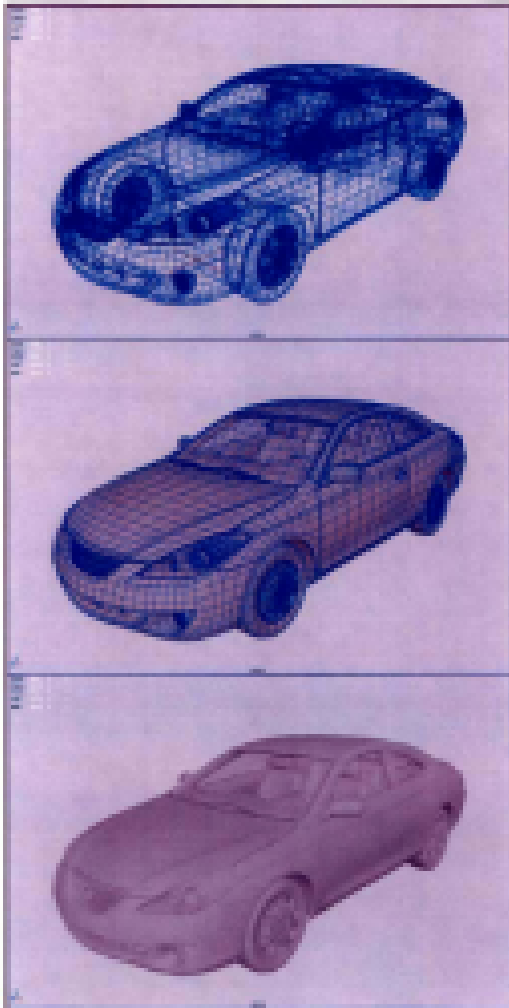
## C

Although we hold that Meshwerks’ digital, wire-frame models are insufficiently original to warrant copyright protection, we do not turn a blind eye to the fact that digital imaging is a relatively new and evolving technology and that Congress extended copyright protection to “original works of authorship fixed in any tangible medium of expression, *now known or later developed*.” 17 U.S.C. § 102(a) (emphasis added). Digital modeling can be, surely is being, and no doubt increasingly will be used to create copyrightable expressions. Yet, just as photographs can be, but are not per se, copyrightable, the same holds true for digital models. The problem for Meshwerks in this particular case is simply that the uncontested facts reveal that it wasn’t involved in any such process, and indeed contracted to provide completely unadorned digital replicas of Toyota vehicles in a two-dimensional space. For this reason, we do not envision any “chilling effect” on creative expression based on our holding today, and instead see it as applying to digital modeling the same legal principles that have come, in the fullness of time and with an enlightened eye, to apply to photographs and other media.

The judgment of the district court is affirmed.

## APPENDIX A

06-4212, *Meshwanka v. Toyota*



## APPENDIX B

96-4172, *Meshwerks v. Toyota*

### Toyota Solara

July 14, 2003



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### Check Your Understanding – *Meshwerks*

#### Socratic Script

How was the precedent of *Burrow-Giles* and *Feist* applied to the digital, wire-frame models at issue in *Meshwerks*?



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<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-14>

What was the significance of Meshwerk's intent in making its wire-free models?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-15>

Some things to consider when reading CDN:

1. The nature and effect of the parties' stipulations.
2. The distinction between "discoverable facts" and a "compilation of facts."
3. How the court arrives at the conclusion that the "wholesale prices for collectible United States coins" published by CDN were not facts, but rather copyrighted compilations.
4. Whether this decision is true to *Feist*'s disavowal of the "sweat of the brow" doctrine.

### *CDN Inc. v. Kapes*

197 F.3d 1256 (9th Cir. 1999)

O'SCANNLAIN, Circuit Judge:

We must decide whether prices listed in a wholesale coin price guide contain sufficient originality to merit the protection of the copyright laws.

#### I

Kenneth Kapes operates a coin business, Western Reserve Numismatics, in Ohio. In response to many inquiries he received regarding the price of coins, Kapes developed "The Fair Market Coin Pricer," which listed on his internet web page the retail prices of many coins. In order to generate the prices he listed, Kapes used a computer program he developed to create retail prices from wholesale prices. The exact process is unclear, but Kapes acknowledges using appellee CDN, Inc.'s wholesale price lists.

CDN publishes the Coin Dealer Newsletter, a weekly report of wholesale prices for collectible United States coins, as well as the Coin Dealer Newsletter Monthly Supplement and the CDN Quarterly. The Newsletter,



or “Greysheet” as it is known in the industry, includes prices for virtually all collectible coins and is used extensively by dealers. In December 1996, CDN discovered the existence of Kapes’ internet site and list of current retail prices. CDN filed a complaint on February 21, 1997 in the U.S. District Court for the Central District of California, alleging that Kapes infringed CDN’s copyrights by using CDN’s wholesale prices as a baseline to arrive at retail prices. The complaint asked the court to determine that Kapes infringed its copyright and to enjoin Kapes from future infringement.

Kapes responded that although the subject works contained some original copyrightable subject matter, he did not copy any of it. Kapes also asserted various affirmative defenses including license, unclean hands, and estoppel. On December 17, 1997, the parties executed a “Stipulation to Waive Trial in Lieu of Case Dispositive Cross-Motions for Summary Judgment.” (“Stipulation”) The Stipulation provided that “the dispositive issue in this copyright infringement case is whether the prices listed in plaintiff’s copyrighted wholesale coin price guides comprise copyrightable subject matter under Section 102 of the 1976 Copyright Act (17 U.S.C. § 102).” The parties agreed that the “issue of copyrightability may effectively be presented to the Court by cross-motions for summary judgment which, once argued and ruled upon, will dispose of the case in its entirety.”

In accordance with the stipulation, the parties filed cross-motions for summary judgment, which the district court heard on February 2, 1998. After reciting the parties’ stipulation that the issue of copyrightability was dispositive of the case, the court ruled that CDN’s “prices are original creations, not uncopyrightable facts.” By order entered February 9, 1998, the court granted CDN’s motion for summary judgment and denied that of Kapes. The court enjoined Kapes from infringing CDN’s copyright.

Kapes timely appealed.

## II

As an initial matter it is important to clarify the scope of this appeal. To make out a claim for copyright infringement, a plaintiff must show: (1) ownership of a valid copyright and (2) copying by the defendant of protectable elements of the work. Although CDN’s original complaint alleged infringement, the parties in their stipulation agreed that the dispositive issue in this infringement case was whether the prices are copyrightable subject matter. By entering into this stipulation, Kapes effectively admitted to having copied CDN’s work.

Nevertheless, Kapes attempts to raise several issues in his appeal beyond that of copyrightability. This he cannot do for he is bound by the stipulation. Because stipulations serve both judicial economy and the convenience of the parties, courts will enforce them absent indications of involuntary or uninformed consent. [T]he stipulation bars any litigation over copying, the second prong of an infringement action.

The stipulation also prevents Kapes from raising on appeal the affirmative defenses—license, unclean hands, and estoppel—originally raised in his answer to CDN’s complaint. An appellate court will not consider issues not properly raised before the district court. [B]y stipulating that the sole issue in this case is the copyrightability of the prices, Kapes waived the affirmative defenses he initially asserted and the issue of whether he copied CDN’s prices. Thus the sole issue in this appeal, and the only one presented to the district court for decision, is whether the prices are copyrightable.

## III

The Constitution gives Congress the power “To promote the Progress of Science ... by securing for limited Times to Authors ... the exclusive Right to their ... Writings.” U.S. Const. art. 1, § 8, cl. 8. Accordingly, Congress has granted copyright protection to “original works of authorship,” 17 U.S.C. § 102(a), as well as “compilations.” *Id.* at § 103(a). The copyright in a compilation “extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work...” *Id.* at § 103(b).

Discoverable facts, like ideas, are not copyrightable. But compilations of facts are copyrightable even where the underlying facts are not. See *Feist Publications, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 344 (1991). The distinction between facts and non-facts, and between discovery and creation, lies at the heart of this case. The essential ingredient present in creations, but absent in facts, is originality, “the sine qua non of copyright.” Subject matter created by and original to the author merits copyright protection. Items not original to the author, i.e., not the product of his creativity, are facts and not copyrightable.

Although the requirement of originality is a constitutional one inherent in the grant to Congress of the power to promote science and the useful arts, the required level of originality is “minimal.” *Feist*, 499 U.S. at 358. The vast majority of works make the grade quite easily, as they possess some creative spark, no matter how crude, humble or obvious it might be. This spark glows in CDN’s prices, which are compilations of data chosen and weighed with creativity and judgment.

Here, the district court, explicitly referencing *Feist*, held that the prices in CDN’s guides are not facts, they are “wholly the product of [CDN’s] creativity. The evidence indicates that the plaintiff uses its considerable expertise and judgment to determine how a multitude of variable factors impact upon available bid and ask price data. And it is this creative process which ultimately gives rise to the Plaintiff’s ‘best guess’ as to what the current ‘bid’ and ‘ask’ prices should be. As such, the Court finds that these prices were created, not discovered.”

We agree. CDN’s process to arrive at wholesale prices begins with examining the major coin publications to find relevant retail price information. CDN then reviews this data to retain only that information it considers to be the most accurate and important. Prices for each grade of coin are determined with attention to whether the coin is graded by a professional service (and which one). CDN also reviews the online networks for the bid and ask prices posted by dealers. It extrapolates from the reported prices to arrive at estimates for prices for unreported coin types and grades. CDN also considers the impact of public auctions and private sales, and analyzes the effect of the economy and foreign policies on the price of coins. As the district court found, CDN does not republish data from another source or apply a set formula or rule to generate prices. The prices CDN creates are compilations of data that represent its best estimate of the value of the coins.

[I]f CDN did nothing more than discover and report the prices paid by dealers in transactions throughout the country, the prices would not be copyrightable. But it did much more than this. The prices listed are not mere listings of actual prices paid; rather, they are CDN’s best estimate of the fair value of that coin. To arrive at this estimate, CDN employs the process described above that satisfies the “minimal degree of creativity” demanded by the Constitution for copyright protection.

Our holding that the prices are copyrightable is consistent with that of the Second Circuit in *CCC Info. Servs., Inc. v. Maclean Hunter Mkt. Reports*, 44 F.3d 61 (2d Cir.1994). Maclean Hunter published the Red Book,

a list of car values for various regions of the United States. The Red Book listed the editors' projections of the value of different kinds of used cars for six weeks after publication. CCC Information Systems had used these values in compiling its computer databases. Maclean Hunter sued for infringement, and the district court found that the values were facts and as such were not copyrightable. The Second Circuit reversed. The court held that the valuations were not "pre-existing facts that had merely been discovered by the Red Book editors," but instead "represented predictions by the Red Book editors of future prices estimated to cover specified geographic regions." Like CDN's prices, the prices in the Red Book granted copyright protection by the Second Circuit, are "based not only on a multitude of data sources, but also on professional judgment and expertise."

#### IV

*[Editor's note: Kapes' merger defense is presented later in this casebook.]*

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## Check Your Understanding – CDN

### Socratic Script

Why did the court conclude that CDN's wholesale coin prices are protected by copyright, whereas the actual prices paid by dealers for coins would not be copyrightable?



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<https://holmancopyright.lawbooks.cali.org/?p=105#h5p-16>

## C. Fixation

Section 102(a) specifies that in order to qualify for copyright protection, an original work of authorship must be "fixed" in a "tangible medium of expression." Section 102(a) defines "tangible medium of expression" broadly, stating that it is sufficient that the fixation occur in "any tangible medium of expression, now known or later developed, from which [the work of authorship] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." "Fixation" is defined as follows in Section 101 of the Act:

A work is "fixed" in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A

work consisting of sounds, images, or both, that are being transmitted, is “fixed” for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

Note that under the statute a work must be fixed as either a “copy” or a “phonorecord.” Both are “material objects ... in which a work [or sound] is fixed by any method now known or later developed, and from which the work [or sound] can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.”<sup>6</sup> The term “phonorecord” is used for a material object in which “sounds” are fixed, such as a music CD or computer hard drive. The term “copy” is used for any material object in which a work is fixed that is not a “phonorecord,” i.e., a material object on which a work other than “sounds” is fixed. Examples of “copies” include paintings, sculptures, books, computer hard drives on which computer programs are recorded, and movie DVDs. (Section 101 explicitly defines material objects in which motion pictures and other audiovisual works are fixed as “copies,” even if these works are accompanied by sounds.)

The fixation must be “sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration,” and must occur “by or under the authority of the author.” The performance of a musical work (a song for example) that is not recorded has not been “fixed,” and thus public performance of an original musical work does not result in copyright protection for that work. However, if that performance was recorded by the song’s author, or “under the authority” of that author, and if that recording is sufficiently permanent or stable (i.e., not transitory), then that recording should be sufficient to satisfy the “fixation” requirement. But not if it was an unauthorized recording, since in that case the fixation would not have been under the authority of the author. Broadcasters of live sporting events, such as baseball or football games, generally record the broadcast simultaneously in order to satisfy the fixation requirement and claim copyright in the broadcast.

How much time must elapse in order for the fixation of a work to satisfy the “period of more than transitory duration” requirement? For example, law professors have pondered the hypothetical of a sand castle on a beach that will be destroyed once the tide comes back in. There is very little case law directly on point. Two cases that are often pointed to as providing some guidance are *MAI Systems Corp.*<sup>7</sup> and *Cartoon Network*.<sup>8</sup> Although these cases do not directly address the question of how long a copy must exist in order to satisfy the fixation requirement for copyrightability, they do address the related question of how long a copy must exist in order to constitute an infringing copy of the work. In other words, the cases deal with copyright infringement, as opposed to copyrightability. However, given the dearth of case law directly addressing the question in the context of copyrightability, the holdings in these two decisions are seen as providing guidance as to what it means for a copy to exist for more than a transitory duration.

In the first of these cases to be decided, *MAI Systems*, the question before the court was whether the loading of copyrighted software onto a computer’s RAM (random access memory) results in fixation for a period of more than transitory duration, sufficient to result in the creation of an infringing “copy” of the software. The court held that copying the software into RAM can be sufficiently non-transitory to result in the creation of a copy, even though the RAM copy is lost as soon as the computer is shut off.

In *Cartoon Network*, the Second Circuit distinguished *MAI Systems*, and held that the recording of copyrighted television broadcasts for no more than 1.2 seconds (for the purposes of “buffering”) was only for a “transitory” period of time, and thus insufficient to satisfy the fixation requirement for the creation of a “copy” of a work.

More recently, a couple of decisions have issued in which the court held that an allegedly copyrighted work fails the fixation requirement. In *Kelley v. Chicago Park District*, the Seventh Circuit held that the design of a public garden, featuring a variety of native wildflowers, failed to satisfy the fixation requirement, noting that “[s]eeds and plants in the garden are naturally in the state of perpetual change; they germinate, grow, bloom, become dormant, and eventually die.”<sup>9</sup> Similarly, in *Kim Seng Co. v. J&A Importers, Inc.*, a district court held that an arrangement of perishable food was not sufficiently fixed to receive copyright protection as a three-dimensional sculpture.<sup>10</sup>

On the other hand, courts have rejected the contention that a videogame display is so transient that it fails the fixation requirement. For example, in *Williams Elecs., Inc. v. Artic Int’l, Inc.*, the plaintiff argued that a videogame display (DEFENDER) was not fixed because it generated “new” images each time the attract mode or play mode was displayed.<sup>11</sup> The court disagreed, finding that “the original audiovisual features of the DEFENDER game repeat themselves over and over,” thereby satisfying the fixation requirement.

One might ask, what is the policy rationale supporting the fixation requirement? Federal copyright protection (as opposed to state common law protection) has always been limited to subject matter that is fixed. The IP Clause authorizes Congress to enact copyright law protecting the “writings” of authors—although “writings” has been interpreted broadly to include works such as photographs and sculpture, it is generally thought that a “writing” must at least be fixed. Courts and commentators have opined that the fixation requirement serves an important function in providing proof of both creation and infringement.<sup>12</sup>

## FOOTNOTES:

<sup>1</sup> There is a narrower “digital public performance right” for sound recordings. See 17 U.S.C. § 106(6).

<sup>2</sup> 37 C.F.R. § 202.1.

<sup>3</sup> *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884) (interpreting two words that appear in the IP clause, “Authors” and “Writings,” as implicitly requiring an “original intellectual conception.”).

<sup>4</sup> For these Check Your Understanding questions, it’s helpful to explore all answer choices to see the feedback. If you get the correct answer, refresh the page to try again and check the other options.

<sup>5</sup> An initial suit for copyright infringement was dismissed without prejudice because Meshwerks had not obtained registrations for all of the copyrights it claimed defendants infringed. Meshwerks subsequently registered the copyrights at issue and filed this suit.

<sup>6</sup> 17 U.S.C. § 101.

<sup>7</sup> *MAI Systems Corp. v. Peak Computer Inc.*, 991 F.2d 511 (9<sup>th</sup> Cir 1993).

<sup>8</sup> *Cartoon Network LP v. CSC Holding, Inc.*, 536 F.3d 121 (2<sup>nd</sup> Cir. 2008).

[9](#) 635 F.3d 290 (7th Cir. 2011).

[10](#) 810 F.Supp.2d 1046 (C.D. Cal. 2011).

[11](#) 685 F.2d 870 (3d Cir. 1982).

[12](#) See, e.g., *Kim Seng Co. v. J & A Importers, Inc.*, 810 F. Supp. 2d 1046, 1054 (C.D. Cal. 2011) (the purposes underlying the fixation requirement include “eas[ing] problems of proof of creation and infringement,” citing Patry, *Patry on Copyright*, § 3:22).

# Chapter 3: Copyrightability under the 1909 Act

It is important to recognize, and thus bears repeating, that under the 1976 Act the only action an author must take to secure copyright protection for an “original work of authorship” is to “fix” that work in a tangible medium of expression. Although people, even to this day, often talk about “copyrighting” their works, in fact, once a work is fixed—such as by writing it down or recording it—it is automatically copyrighted, and no further action is required. When people talk about “copyrighting” their work today, they could be referring to registering their work with the Copyright Office, or publishing their work with notice. There are definite advantages to registration and publication with notice, but under the 1976 Act neither are required for copyright protection.

In stark contrast, the 1909 Act, which generally applies to works created before 1978, does require affirmative action beyond fixation in order for an author to receive copyright protection. Under the 1909 Act, the trigger for federal copyright protection was publication with notice. In other words, a fixed work of authorship was not protected by federal copyright law until it was published, and that publication needed to provide notice to the public that the author was claiming copyright in the work. The “notice” requirement was generally satisfied by attaching the © symbol (and/or the word “copyright”) to the work, along with the date of publication and the name of the author. Federal copyright protection began at the time of publication with notice; prior to that, the unpublished work was only protected, if at all, by state common law. Significantly, under the 1909 Act (and even under the 1976 Act until 1989) publication without notice could result in the forfeiture of copyright.<sup>1</sup> Alternatively, under the 1909 Act an author could secure federal copyright protection for an unpublished work by registering that work with the Copyright Office. But either way, copyright protection required an affirmative act by the author, either in the form of publication with notice or registration.

The 1909 Act also required a copyright claimant to deposit copies of a work “promptly” after publication of the work with notice. Failure to do so could result in forfeiture of copyright.

Of course, the requirements that the work be fixed, original, and a work of authorship are constitutional, and apply to works governed by the 1909 Act just as they do to works falling under the 1976 Act. Recall that the 1976 Act generally applies to any work that was created after January 1, 1978.

## FOOTNOTES:

<sup>1</sup> An example of this can be seen later in this casebook, in the case of *Warner Bros. Entm’t v. X One X Prods.*, 44 F.3d 584 (8th Cir. 2011).

# Chapter 4: Limitations on Copyrightability

## A. The Idea-Expression Dichotomy

The term “idea-expression dichotomy” encapsulates a fundamental precept of copyright law, which is that copyright protection is only available for the expression of ideas, not for the underlying ideas themselves.<sup>1</sup> The seminal articulation of the dichotomy can be found in *Baker v. Selden*,<sup>2</sup> a landmark decision of the Supreme Court handed down in 1879. It involved a book describing a practice known today as double-entry bookkeeping, which was apparently an important innovation in accounting practices. The owner of the copyright in the book sought to use the copyright to exclude others from commercializing the method of accounting described in the book. The Court rejected this attempted overreach, holding that the exclusive rights of the copyright only encompassed the author’s expression of the idea of double-entry bookkeeping, not the underlying idea itself. The Court explained that this would be analogous to “an author of a treatise on the composition and use of medicines attempting to use the copyright on the treatise to exclude others from the medicines and their use described therein.” As explained by the Court:

The description of the art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself. The object of the one is explanation; the object of the other is use. The former may be secured by copyright. The latter can only be secured, if it can be secured all, by [a patent].

The holding of *Baker* was essentially codified in 102(b), which provides the statutory basis for the idea-expression dichotomy:

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

17 U.S.C. § 102(b)

As discussed in detail later in this casebook, the idea-expression dichotomy appears in a variety of contexts throughout copyright law, including the assessment of whether a work is copyrightable, or whether the copyright in a work has been infringed. It is also the basis for some of the important doctrines of copyright law, including merger and thin<sup>3</sup> copyright protection, which are discussed below.

The essence of the idea-expression dichotomy is that copyright law grants an author the right to exclude others from reproducing the author’s expression of an idea, but not the idea itself. Allowing copyright law to extend to ideas, facts, utilitarian processes, etc., would create serious public policy concerns. For example, it would restrict the ability of people to express and discuss ideas, potentially impinging on the First Amendment. Tying up facts and ideas with copyright could also harm the progress of science and future creativity, by denying others the right to build upon those facts and ideas, a concern discussed by the Supreme Court in *Feist*. Granting authors exclusive rights in their expression of ideas, on the other hand, is



seen as promoting public policy by providing an incentive for the creation and dissemination of expressive works. The idea-expression dichotomy thus represents a means of providing balance, hopefully allowing sufficient incentive for authors to create expressive works without over-protecting in a manner that unduly restricts the ability of others to discuss and build upon the underlying ideas.

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Some things to consider when reading *Nichols*:

1. This case is often cited for Judge Hand's explanation of his "abstractions" test, which is still used by courts to discern between a copyrighted work's ideas, which are freely available for anyone to copy, and the work's expression of those ideas, which is protected.
2. This case is also noted for Judge Hand's discussion of the potentially copyrightable elements of a play, particularly the "characters and sequence of incidents."
3. This case introduces the concept of copyright in characters, a topic which will come up again later in this casebook.

### *Nichols v. Universal Pictures Corp.*

45 F.2d 119 (2d Cir. 1930)

L. HAND, Circuit Judge.

The plaintiff is the author of a play, 'Abie's Irish Rose,' which it may be assumed was properly copyrighted. The defendant produced publicly a motion picture play, 'The Cohens and The Kellys,' which the plaintiff alleges was taken from it. As we think the defendant's play too unlike the plaintiff's to be an infringement, we may assume, *arguendo*, that in some details the defendant used the plaintiff's play, as will subsequently appear, though we do not so decide. It therefore becomes necessary to give an outline of the two plays.

'Abie's Irish Rose' presents a Jewish family living in prosperous circumstances in New York. The father, a widower, is in business as a merchant, in which his son and only child helps him. The boy has philandered with young women, who to his father's great disgust have always been Gentiles, for he is obsessed with a passion that his daughter-in-law shall be an orthodox Jewess. When the play opens the son, who has been courting a young Irish Catholic girl, has already married her secretly before a Protestant minister, and is concerned to soften the blow for his father, by securing a favorable impression of his bride, while concealing her faith and race. To accomplish this he introduces her to his father at his home as a Jewess, and lets it appear that he is interested in her, though he conceals the marriage. The girl somewhat reluctantly falls in with the plan; the father takes the bait, becomes infatuated with the girl, concludes that they must marry, and assumes that of course they will, if he so decides. He calls in a rabbi, and prepares for the wedding according to the Jewish rite.

Meanwhile the girl's father, also a widower, who lives in California, and is as intense in his own religious antagonism as the Jew, has been called to New York, supposing that his daughter is to marry an Irishman and a Catholic. Accompanied by a priest, he arrives at the house at the moment when the marriage is being

celebrated, but too late to prevent it and the two fathers, each infuriated by the proposed union of his child to a heretic, fall into unseemly and grotesque antics. The priest and the rabbi become friendly, exchange trite sentiments about religion, and agree that the match is good. Apparently out of abundant caution, the priest celebrates the marriage for a third time, while the girl's father is inveigled away. The second act closes with each father, still outraged, seeking to find some way by which the union, thus trebly insured, may be dissolved.

The last act takes place about a year later, the young couple having meanwhile been abjured by each father, and left to their own resources. They have had twins, a boy and a girl, but their fathers know no more than that a child has been born. At Christmas each, led by his craving to see his grandchild, goes separately to the young folks' home, where they encounter each other, each laden with gifts, one for a boy, the other for a girl. After some slapstick comedy, depending upon the insistence of each that he is right about the sex of the grandchild, they become reconciled when they learn the truth, and that each child is to bear the given name of a grandparent. The curtain falls as the fathers are exchanging amenities, and the Jew giving evidence of an abatement in the strictness of his orthodoxy.

'The Cohens and The Kellys' presents two families, Jewish and Irish, living side by side in the poorer quarters of New York in a state of perpetual enmity. The wives in both cases are still living, and share in the mutual animosity, as do two small sons, and even the respective dogs. The Jews have a daughter, the Irish a son; the Jewish father is in the clothing business; the Irishman is a policeman. The children are in love with each other, and secretly marry, apparently after the play opens. The Jew, being in great financial straits, learns from a lawyer that he has fallen heir to a large fortune from a great-aunt, and moves into a great house, fitted luxuriously. Here he and his family live in vulgar ostentation, and here the Irish boy seeks out his Jewish bride, and is chased away by the angry father. The Jew then abuses the Irishman over the telephone, and both become hysterically excited. The extremity of his feelings make the Jew sick, so that he must go to Florida for a rest, just before which the daughter discloses her marriage to her mother.

On his return the Jew finds that his daughter has borne a child; at first he suspects the lawyer, but eventually learns the truth and is overcome with anger at such a low alliance. Meanwhile, the Irish family who have been forbidden to see the grandchild, go to the Jew's house, and after a violent scene between the two fathers in which the Jew disowns his daughter, who decides to go back with her husband, the Irishman takes her back with her baby to his own poor lodgings. The lawyer, who had hoped to marry the Jew's daughter, seeing his plan foiled, tells the Jew that his fortune really belongs to the Irishman, who was also related to the dead woman, but offers to conceal his knowledge, if the Jew will share the loot. This the Jew repudiates, and, leaving the astonished lawyer, walks through the rain to his enemy's house to surrender the property. He arrives in great dejection, tells the truth, and abjectly turns to leave. A reconciliation ensues, the Irishman agreeing to share with him equally. The Jew shows some interest in his grandchild, though this is at most a minor motive in the reconciliation, and the curtain falls while the two are in their cups, the Jew insisting that in the firm name for the business, which they are to carry on jointly, his name shall stand first.

It is of course essential to any protection of literary property, whether at common-law or under the statute, that the right cannot be limited literally to the text, else a plagiarist would escape by immaterial variations. That has never been the law, but, as soon as literal appropriation ceases to be the test, the whole matter is necessarily at large, so that, as was recently well said by a distinguished judge, the decisions cannot help much in a new case. Upon any work, and especially upon a play, a great number of patterns of increasing

generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his 'ideas,' to which, apart from their expression, his property is never extended. Nobody has ever been able to fix that boundary, and nobody ever can. As respects plays, the controversy chiefly centers upon the characters and sequence of incident, these being the substance.

We do not doubt that two plays may correspond in plot closely enough for infringement. How far that correspondence must go is another matter. Nor need we hold that the same may not be true as to the characters, quite independently of the "plot" proper, though, as far as we know such a case has never arisen. If *Twelfth Night* were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare's "ideas" in the play, as little capable of monopoly as Einstein's Doctrine of Relativity, or Darwin's theory of the Origin of Species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

In the two plays at bar we think both as to incident and character, the defendant took no more— assuming that it took anything at all— than the law allowed. The stories are quite different. One is of a religious zealot who insists upon his child's marrying no one outside his faith; opposed by another who is in this respect just like him, and is his foil. Their difference in race is merely an obbligator to the main theme, religion. They sink their differences through grandparental pride and affection. In the other, zealotry is wholly absent; religion does not even appear. It is true that the parents are hostile to each other in part because they differ in race; but the marriage of their son to a Jew does not apparently offend the Irish family at all, and it exacerbates the existing animosity of the Jew, principally because he has become rich, when he learns it. They are reconciled through the honesty of the Jew and the generosity of the Irishman; the grandchild has nothing whatever to do with it. The only matter common to the two is a quarrel between a Jewish and an Irish father, the marriage of their children, the birth of grandchildren and a reconciliation.

If the defendant took so much from the plaintiff, it may well have been because her amazing success seemed to prove that this was a subject of enduring popularity. Even so, granting that the plaintiff's play was wholly original, and assuming that novelty is not essential to a copyright, there is no monopoly in such a background. Though the plaintiff discovered the vein, she could not keep it to herself; so defined, the theme was too generalized an abstraction from what she wrote. It was only a part of her "ideas."

Nor does she fare better as to her characters. It is indeed scarcely credible that she should not have been aware of those stock figures, the low comedy Jew and Irishman. The defendant has not taken from her more than their prototypes have contained for many decades. If so, obviously so to generalize her copyright, would allow her to cover what was not original with her. But we need not hold this as matter of fact, much as we might be justified. Even though we take it that she devised her figures out of her brain *de novo*, still the defendant was within its rights.

There are but four characters common to both plays, the lovers and the fathers. The lovers are so faintly indicated as to be no more than stage properties. They are loving and fertile; that is really all that can be

said of them, and anyone else is quite within his rights if he puts loving and fertile lovers in a play of his own, wherever he gets the cue. The Plaintiff's Jew is quite unlike the defendant's. His obsession in his religion, on which depends such racial animosity as he has. He is affectionate, warm and patriarchal. None of these fit the defendant's Jew, who shows affection for his daughter only once, and who has none but the most superficial interest in his grandchild. He is tricky, ostentatious and vulgar, only by misfortune redeemed into honesty. Both are grotesque, extravagant and quarrelsome; both are fond of display; but these common qualities make up only a small part of their simple pictures, no more than any one might lift if he chose. The Irish fathers are even more unlike; the plaintiff's a mere symbol for religious fanaticism and patriarchal pride, scarcely a character at all. Neither quality appears in the defendant's, for while he goes to get his grandchild, it is rather out of a truculent determination not to be forbidden, than from pride in his progeny. For the rest he is only a grotesque hobbledohoy, used for low comedy of the most conventional sort, which any one might borrow, if he chanced not to know the exemplar.

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## Check Your Understanding – *Nichols*

**Question 1.** True or False: It is possible for one to copy substantially from another's copyrighted work, without authorization, without incurring liability for copyright infringement.



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### Socratic Script

Why does the court assume, in the first paragraph of the decision, that plaintiff's play "was properly copyrighted" and that "in some details the defendant used the plaintiff's play"?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-18>

What is the "abstractions test," and what role does it play in determining liability for copyright infringement?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-19>

Some things to consider when reading *Sissom*:

1. This case illustrates application of the idea-expression dichotomy with respect to historical facts, a form of “idea” that cannot be protected by copyright.
2. Even though the plaintiff’s book is copyrighted, the facts presented in the book are not, so the public is free to copy the facts without incurring liability for copyright infringement. As a general matter, it is perfectly all right to copy material from a copyrighted work, so long as only uncopyrightable elements, i.e., ideas, such as facts, are copied, not the expression of those ideas.
3. Note the court’s brief discussion of state common law copyright and its preemption by the 1976 Copyright Act, both mentioned earlier in this casebook.

### *Sissom v. Snow*

626 F. App’x 163 (7th Cir. 2015)

The circumstances surrounding the investigation of three murders in Indianapolis, Indiana, provided the subject matter for two non-fiction books, a 2006 book by Carol Sissom, and a 2012 book by Robert Snow. In this appeal challenging the dismissal of her suit against Snow and his booksellers, Sissom contends that Snow’s book infringes on the copyright of her composition. Because Snow’s book restates only historical events, the defendants did not infringe on any protected expression, so we affirm.

In December 1971 three Indianapolis businessmen were murdered at a house on the city’s east side. Police were unable to solve the crime, which gained notoriety as the years passed and no one was identified as the assailant. The case was still cold 20 years later when Sissom, a freelance journalist, became interested in it. She first investigated the case while writing a series of newspaper articles, and then continued the investigation for its own sake. Eventually Sissom believed she had found the killers, concluding that they were motivated either by jealousy or secret payments from the Nixon Administration to cover up illegal campaign contributions from Jimmy Hoffa. The men accused by Sissom were charged with the murders, but the charges were quickly dropped, and the case remained open. In 2003 the Indianapolis police received a letter confessing to the murders. Sissom got wind of the confession, and, believing it to have validated her work, soon memorialized her investigation and conclusions in book form, first in her 2006 book *The LaSalle Street Murders*, and a few years later in a trilogy bearing the same name.

The 2003 letter, which had been written by an individual other than those charged in connection with Sissom’s investigation, prompted an Indianapolis detective to take a fresh look at the case. That detective ultimately concluded that the letter’s author, who claimed that he had been paid to commit the murders in order to obtain an insurance payout, was telling the truth. On the basis of the detective’s conclusion, the Indianapolis police decided to close the case. That closure precipitated Robert Snow’s *Slaughter on North LaSalle*, a book detailing the original investigation, Sissom’s work in the 90s, and the case’s conclusion.

Though critical of Sissom’s methods and conclusions, the middle third of Snow’s account relies heavily on Sissom’s 2006 work, and he credits Sissom’s book as his source of information about her investigation

and findings. In that middle portion, Snow restates many historical facts that appear in *The LaSalle Street Murders*. We provide three illustrative examples.

First, early on in her book, Sissom explained how she began her investigation: “I made my first inquiry at the Marion County Public Library. It was there that a woman told me about a sensational murder case that happened when I was just a small school girl.... When I looked at my calendar I realized that the 20-year anniversary of the LaSalle Street Murders was coming up.” Snow summarized this information about Sissom’s start as follows: “Eventually, a librarian at the Indianapolis Marion County Public Library pointed [Sissom] toward the North LaSalle Street Murders, still unsolved and whose twentieth anniversary was coming up in December of that year.” A second example reflects how Sissom got her first “break” in the case. She wrote that it came when she located a potential witness: “My second goal was to find [Margo], the waitress at the bar, ‘Tommy’s Starlight Palladium’ in 1971.... With a little tenacity—and the speed of the fingers on my right hand dancing on my telephone keyboard, I found [Margo]! She was a go-go dancer at a seedy establishment near South Meridian Street, not too far from downtown Indianapolis.” Snow recapped how Sissom found Margo: “Next, [Sissom] set out to find the woman named Margo, whom she said she eventually located working at a run-down bar in Indianapolis.” As a final example, Sissom elaborated on her interaction with Floyd Chastain, a convicted murderer incarcerated in a Florida state prison and one of the men she eventually accused of the murders. About their first conversation Sissom wrote: “The next day, I received a call that I will never forget as long as I live. It was a phone call that pierced my afternoon with both excitement and terror at the same time. It was about 2:20 p.m. and a brilliant, sunny day.” Snow summarized the same events: “But then, on September 1st, 1992, Chastain called [Sissom] from the prison in Florida.”

Similarities like these in Snow’s book prompted Sissom to bring this action for copyright infringement against Snow and others in the chain of distribution. Sissom’s complaint asserted generally that part of Snow’s book was an unlawful paraphrase of her own works on the subject, and she later identified 194 specific instances (of which we have just given three representative examples) where *Slaughter on North LaSalle*, she believed, unlawfully copied from *The LaSalle Street Murders*. (Sissom also brought claims for intentional infliction of emotional distress and defamation, but she voluntarily dismissed those supplemental claims with prejudice, and then repleaded only the copyright claim, so we forgo any analysis of those supplemental claims.)

The defendants moved to dismiss the complaint for failure to state a claim, and submitted to the district court the two books that we have mentioned and that Sissom discusses throughout her complaint. The district court granted the motion, concluding that Snow’s book relied on Sissom’s only for non-copyrightable facts, and so the defendants were entitled to judgment as a matter of law.

Sissom concedes that Snow could lawfully use factual bits and pieces of her work, but contends that his extensive reliance on her book infringed upon her copyright. Sissom correctly points out that the middle portion of Snow’s book essentially restates the same chronology of events and the conclusions that Sissom reached in hers, using the third person rather than the first. Sissom appears to invoke the concept of a derivative work, which the Copyright Act defines as “a work based upon one or more preexisting works,” a definition that includes works “consisting of editorial revisions, annotations, or elaborations.” 17 U.S.C. § 101. The creator of a derivative work infringes on the protected portion of the original unless that person obtains a license from the owner of the underlying copyright.

But none of the material that Sissom says is taken from her book is derivative of protectable material. The middle part of Snow's book, from the chronology of Sissom's investigation to her ultimate conclusions, simply restates historical events—the murder investigation and Sissom's role in it—and adds a bit of Snow's own commentary about those events. It is a foundation of copyright law that only the form of an author's expression is protectable, not the facts or ideas being expressed. This principle remains true no matter how much factual content is borrowed. Because Snow merely retold historical events using his own, more succinct style of expression, he did not appropriate any copyrightable expression. Therefore Sissom's copyright claim fails.

Sissom counters that her book is not entirely factual, and thus Snow's retelling necessarily infringes on her creation. To prove that her account is part fiction, she refers us to the "Disclaimer Page" that prefaces *The LaSalle Street Murders*. But that page undercuts her argument. There, she emphasizes that the book is "the true story" and "every part of this book is accurate," consisting of "verif[ied] facts." Based on her admission, then, the book's content is unprotected factual material. It is true that later in the disclaimer she backpedals, suggesting that some parts of her book "have been fictionalized in order to move the story along." But in her complaint and her opposition to the motion to dismiss, she asserts that the defendants infringed only on those portions of her book that describe "her feelings, perceptions, thoughts and actions." These are actual, historical events. And since, as we have observed, historical truth is not protected expression, she fails to support her federal claim for infringement.

In addition to her federal claim, Sissom raises a host of novel, confusing, and ultimately meritless arguments generally based on Indiana common law. Asserting that Snow's work has invaded her privacy, she first refers us to the common law of copyright. Any argument grounded in a right of privacy is puzzling, given that Sissom published her own book and inserted herself into the historical record of the case. But in any event, while the common law of copyright could be invoked in limited circumstances to protect personal privacy, it does not apply here because it was abolished for works like Sissom's created after 1977.

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## Check Your Understanding – Sissom

**Question 1.** True or false: The defendant in *Sissom* was not held liable for copyright infringement because the plaintiff could not prove that the defendant had copied more than a *de minimis* amount of the plaintiff's copyrighted book.



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-20>

Some things to consider when reading *Lotus*:

1. This case involves competing computer spreadsheet programs. Microsoft Excel is an example of a computer spreadsheet program with which today's students are generally more familiar.
2. The basis for the district court's determination that the Lotus menu command hierarchy was copyrightable.
3. The basis for the First Circuit's determination that the Lotus menu command hierarchy was an uncopyrightable "method of operation."
4. The court's analogy between the Lotus menu command hierarchy and the buttons used to control a VCR.
5. The policy considerations at play in the case, as discussed by both the majority and the dissent.
6. Although *Lotus* is still good law in the First Circuit, see *e-STEPS, LLC v. Americas Leading Fin., LLC*, 2021 WL 1157024, at \*8 (D.P.R. Mar. 24, 2021), other circuits have rejected *Lotus*'s holding that expression that is part of a method of operation is not copyrightable, as discussed by the Ninth Circuit in a case that appears later in this casebook, *Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339 (Fed. Cir. 2014).

### *Lotus Dev. Corp. v. Borland Int'l, Inc.*

49 F.3d 807 (1st Cir. 1995)

STAHL, Circuit Judge.

This appeal requires us to decide whether a computer menu command hierarchy is copyrightable subject matter. In particular, we must decide whether, as the district court held, plaintiff-appellee Lotus Development Corporation's copyright in Lotus 1-2-3, a computer spreadsheet program, was infringed by defendant-appellant Borland International, Inc., when Borland copied the Lotus 1-2-3 menu command hierarchy into its Quattro and Quattro Pro computer spreadsheet programs.

#### I.

##### **Background**

Lotus 1-2-3 is a spreadsheet program that enables users to perform accounting functions electronically on a computer. Users manipulate and control the program via a series of menu commands, such as "Copy," "Print," and "Quit." Users choose commands either by highlighting them on the screen or by typing their first letter. In all, Lotus 1-2-3 has 469 commands arranged into more than 50 menus and submenus.

Lotus 1-2-3, like many computer programs, allows users to write what are called "macros." By writing a macro, a user can designate a series of command choices with a single macro keystroke. Then, to execute that series of commands in multiple parts of the spreadsheet, rather than typing the whole series each time, the user only needs to type the single pre-programmed macro keystroke, causing the program to recall and perform the designated series of commands automatically. Thus, Lotus 1-2-3 macros shorten the time needed to set up and operate the program.



Borland released its first Quattro program to the public in 1987, after Borland's engineers had labored over its development for nearly three years. Borland's objective was to develop a spreadsheet program far superior to existing programs, including Lotus 1-2-3.

The district court found, and Borland does not now contest, that Borland included in its Quattro and Quattro Pro version 1.0 programs a virtually identical copy of the entire 1-2-3 menu tree. In so doing, Borland did not copy any of Lotus's underlying computer code; it copied only the words and structure of Lotus's menu command hierarchy. Borland included the Lotus menu command hierarchy in its programs to make them compatible with Lotus 1-2-3 so that spreadsheet users who were already familiar with Lotus 1-2-3 would be able to switch to the Borland programs without having to learn new commands or rewrite their Lotus macros.

In its Quattro and Quattro Pro version 1.0 programs, Borland achieved compatibility with Lotus 1-2-3 by offering its users an alternate user interface, the "Lotus Emulation Interface." By activating the Emulation Interface, Borland users would see the Lotus menu commands on their screens and could interact with Quattro or Quattro Pro as if using Lotus 1-2-3, albeit with a slightly different looking screen and with many Borland options not available on Lotus 1-2-3. In effect, Borland allowed users to choose how they wanted to communicate with Borland's spreadsheet programs: either by using menu commands designed by Borland, or by using the commands and command structure used in Lotus 1-2-3 augmented by Borland-added commands.

On July 31, 1992, the district court ruled that the Lotus menu command hierarchy was copyrightable expression because

[a] very satisfactory spreadsheet menu tree can be constructed using different commands and a different command structure from those of Lotus 1-2-3. In fact, Borland has constructed just such an alternate tree for use in Quattro Pro's native mode. Even if one holds the arrangement of menu commands constant, it is possible to generate literally millions of satisfactory menu trees by varying the menu commands employed.

The district court demonstrated this by offering alternate command words for the ten commands that appear in Lotus's main menu. For example, the district court stated that "[t]he 'Quit' command could be named 'Exit' without any other modifications," and that "[t]he 'Copy' command could be called 'Clone,' 'Ditto,' 'Duplicate,' 'Imitate,' 'Mimic,' 'Replicate,' and 'Reproduce,' among others." Because so many variations were possible, the district court concluded that the Lotus developers' choice and arrangement of command terms, reflected in the Lotus menu command hierarchy, constituted copyrightable expression.

## II.

### Discussion

#### D. The Lotus Menu Command Hierarchy: A "Method of Operation"

Borland argues that the Lotus menu command hierarchy is uncopyrightable because it is a system, method of operation, process, or procedure foreclosed from copyright protection by 17 U.S.C. § 102(b). Section 102(b) states: "In no case does copyright protection for an original work of authorship extend to any idea,

procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.” Because we conclude that the Lotus menu command hierarchy is a method of operation, we do not consider whether it could also be a system, process, or procedure.

We think that “method of operation,” as that term is used in § 102(b), refers to the means by which a person operates something, whether it be a car, a food processor, or a computer. Thus a text describing how to operate something would not extend copyright protection to the method of operation itself; other people would be free to employ that method and to describe it in their own words. Similarly, if a new method of operation is used rather than described, other people would still be free to employ or describe that method.

We hold that the Lotus menu command hierarchy is an uncopyrightable “method of operation.” The Lotus menu command hierarchy provides the means by which users control and operate Lotus 1-2-3. If users wish to copy material, for example, they use the “Copy” command. If users wish to print material, they use the “Print” command. Users must use the command terms to tell the computer what to do. Without the menu command hierarchy, users would not be able to access and control, or indeed make use of, Lotus 1-2-3’s functional capabilities.

The Lotus menu command hierarchy does not merely explain and present Lotus 1-2-3’s functional capabilities to the user; it also serves as the method by which the program is operated and controlled. The Lotus menu command hierarchy is different from the underlying computer code, because while code is necessary for the program to work, its precise formulation is not. In other words, to offer the same capabilities as Lotus 1-2-3, Borland did not have to copy Lotus’s underlying code (and indeed it did not); to allow users to operate its programs in substantially the same way, however, Borland had to copy the Lotus menu command hierarchy. Thus the Lotus 1-2-3 code is not a uncopyrightable “method of operation.”

The district court held that the Lotus menu command hierarchy, with its specific choice and arrangement of command terms, constituted an “expression” of the “idea” of operating a computer program with commands arranged hierarchically into menus and submenus. Under the district court’s reasoning, Lotus’s decision to employ hierarchically arranged command terms to operate its program could not foreclose its competitors from also employing hierarchically arranged command terms to operate their programs, but it did foreclose them from employing the specific command terms and arrangement that Lotus had used. In effect, the district court limited Lotus 1-2-3’s “method of operation” to an abstraction.

Accepting the district court’s finding that the Lotus developers made some expressive choices in choosing and arranging the Lotus command terms, we nonetheless hold that that expression is not copyrightable because it is part of Lotus 1-2-3’s “method of operation.” We do not think that “methods of operation” are limited to abstractions; rather, they are the means by which a user operates something. If specific words are essential to operating something, then they are part of a “method of operation” and, as such, are unprotectable. This is so whether they must be highlighted, typed in, or even spoken, as computer programs no doubt will soon be controlled by spoken words.

The fact that Lotus developers could have designed the Lotus menu command hierarchy differently is immaterial to the question of whether it is a “method of operation.” In other words, our initial inquiry is not whether the Lotus menu command hierarchy incorporates any expression. Rather, our initial inquiry

is whether the Lotus menu command hierarchy is a “method of operation.” Concluding, as we do, that users operate Lotus 1-2-3 by using the Lotus menu command hierarchy, and that the entire Lotus menu command hierarchy is essential to operating Lotus 1-2-3, we do not inquire further whether that method of operation could have been designed differently. The “expressive” choices of what to name the command terms and how to arrange them do not magically change the uncopyrightable menu command hierarchy into copyrightable subject matter.

In many ways, the Lotus menu command hierarchy is like the buttons used to control, say, a video cassette recorder (“VCR”). A VCR is a machine that enables one to watch and record video tapes. Users operate VCRs by pressing a series of buttons that are typically labelled “Record, Play, Reverse, Fast Forward, Pause, Stop/Eject.” That the buttons are arranged and labeled does not make them a “literary work,” nor does it make them an “expression” of the abstract “method of operating” a VCR via a set of labeled buttons. Instead, the buttons are themselves the “method of operating” the VCR.

When a Lotus 1-2-3 user chooses a command, either by highlighting it on the screen or by typing its first letter, he or she effectively pushes a button. Highlighting the “Print” command on the screen, or typing the letter “P,” is analogous to pressing a VCR button labeled “Play.”

Just as one could not operate a buttonless VCR, it would be impossible to operate Lotus 1-2-3 without employing its menu command hierarchy. Thus the Lotus command terms are not equivalent to the labels on the VCR’s buttons, but are instead equivalent to the buttons themselves. Unlike the labels on a VCR’s buttons, which merely make operating a VCR easier by indicating the buttons’ functions, the Lotus menu commands are essential to operating Lotus 1-2-3. Without the menu commands, there would be no way to “push” the Lotus buttons, as one could push unlabeled VCR buttons. While Lotus could probably have designed a user interface for which the command terms were mere labels, it did not do so here. Lotus 1-2-3 depends for its operation on use of the precise command terms that make up the Lotus menu command hierarchy.

One might argue that the buttons for operating a VCR are not analogous to the commands for operating a computer program because VCRs are not copyrightable, whereas computer programs are. VCRs may not be copyrighted because they do not fit within any of the § 102(a) categories of copyrightable works; the closest they come is “sculptural work.” Sculptural works, however, are subject to a “useful-article” exception whereby “the design of a useful article ... shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” 17 U.S.C. § 101. A “useful article” is “an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information.” Whatever expression there may be in the arrangement of the parts of a VCR is not capable of existing separately from the VCR itself, so an ordinary VCR would not be copyrightable.

Computer programs, unlike VCRs, are copyrightable as “literary works.” 17 U.S.C. § 102(a). Accordingly, one might argue, the “buttons” used to operate a computer program are not like the buttons used to operate a VCR, for they are not subject to a useful-article exception. The response, of course, is that the arrangement of buttons on a VCR would not be copyrightable even without a useful-article exception, because the buttons are an uncopyrightable “method of operation.” Similarly, the “buttons” of a computer program are also an uncopyrightable “method of operation.”

That the Lotus menu command hierarchy is a “method of operation” becomes clearer when one considers program compatibility. Under Lotus’s theory, if a user uses several different programs, he or she must learn how to perform the same operation in a different way for each program used. For example, if the user wanted the computer to print material, then the user would have to learn not just one method of operating the computer such that it prints, but many different methods. We find this absurd. The fact that there may be many different ways to operate a computer program, or even many different ways to operate a computer program using a set of hierarchically arranged command terms, does not make the actual method of operation chosen copyrightable; it still functions as a method for operating the computer and as such is uncopyrightable.

Consider also that users employ the Lotus menu command hierarchy in writing macros. Under the district court’s holding, if the user wrote a macro to shorten the time needed to perform a certain operation in Lotus 1–2–3, the user would be unable to use that macro to shorten the time needed to perform that same operation in another program. Rather, the user would have to rewrite his or her macro using that other program’s menu command hierarchy. This is despite the fact that the macro is clearly the user’s own work product. We think that forcing the user to cause the computer to perform the same operation in a different way ignores Congress’s direction in § 102(b) that “methods of operation” are not copyrightable. That programs can offer users the ability to write macros in many different ways does not change the fact that, once written, the macro allows the user to perform an operation automatically. As the Lotus menu command hierarchy serves as the basis for Lotus 1–2–3 macros, the Lotus menu command hierarchy is a “method of operation.”

We also note that in most contexts, there is no need to “build” upon other people’s expression, for the ideas conveyed by that expression can be conveyed by someone else without copying the first author’s expression. In the context of methods of operation, however, “building” requires the use of the precise method of operation already employed; otherwise, “building” would require dismantling, too. Original developers are not the only people entitled to build on the methods of operation they create; anyone can. Thus, Borland may build on the method of operation that Lotus designed and may use the Lotus menu command hierarchy in doing so.

**Reversed.**

**BOUDIN, Circuit Judge, concurring.**

Most of the law of copyright and the “tools” of analysis have developed in the context of literary works such as novels, plays, and films. In this milieu, the principal problem—simply stated, if difficult to resolve—is to stimulate creative expression without unduly limiting access by others to the broader themes and concepts deployed by the author. The middle of the spectrum presents close cases; but a “mistake” in providing too much protection involves a small cost: subsequent authors treating the same themes must take a few more steps away from the original expression.

The problem presented by computer programs is fundamentally different in one respect. The computer program is a means for causing something to happen; it has a mechanical utility, an instrumental role, in accomplishing the world’s work. Granting protection, in other words, can have some of the consequences

of patent protection in limiting other people's ability to perform a task in the most efficient manner. Utility does not bar copyright (dictionaries may be copyrighted), but it alters the calculus.

Of course, the argument for protection is undiminished, perhaps even enhanced, by utility: if we want more of an intellectual product, a temporary monopoly for the creator provides incentives for others to create other, different items in this class. But the “cost” side of the equation may be different where one places a very high value on public access to a useful innovation that may be the most efficient means of performing a given task. Thus, the argument for extending protection may be the same; but the stakes on the other side are much higher.

Requests for the protection of computer menus present the concern with fencing off access to the commons in an acute form. A new menu may be a creative work, but over time its importance may come to reside more in the investment that has been made by users in learning the menu and in building their own mini-programs—macros—in reliance upon the menu. Better typewriter keyboard layouts may exist, but the familiar QWERTY keyboard dominates the market because that is what everyone has learned to use. The QWERTY keyboard is nothing other than a menu of letters.

Thus, to assume that computer programs are just one more new means of expression, like a filmed play, may be quite wrong. The “form”—the written source code or the menu structure depicted on the screen—look hauntingly like the familiar stuff of copyright; but the “substance” probably has more to do with problems presented in patent law or, as already noted, in those rare cases where copyright law has confronted industrially useful expressions. Applying copyright law to computer programs is like assembling a jigsaw puzzle whose pieces do not quite fit.

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## Check Your Understanding – *Lotus*

**Question 1.** What did Borland copy from Lotus 1-2-3?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-21>

**Question 2.** Why did the First Circuit hold that Lotus's copyright in Lotus 1-2-3 was not infringed when Borland copied the Lotus 1-2-3 menu command hierarchy into its competing computer spreadsheet programs?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-22>

**Question 3.** True or false: The First Circuit opined that it could have, in the alternative, found the Lotus menu command hierarchy to be uncopyrightable under the “useful article exception.”



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## B. Merger and Thin Protection

What happens when there is only one means of expressing an idea, such that it would be impossible to grant the author an exclusive right in her expression of the idea without at the same time giving her an exclusive right in the underlying idea? Under the doctrine of merger, courts have held that when there is only one way, or a very small number of ways, to express an idea, then that expression cannot be copyrighted. To allow copyright on the expression would unduly restrict access to the underlying idea, and thus as a matter of policy the courts will invoke the merger doctrine to deny copyright protection to any expression of the idea.

Closely related to the doctrine of merger is the doctrine of thin copyright protection. Courts will afford thin copyright protection to the expression of an idea when there are only a limited number of ways of expressing the idea. The difference between merger and thin protection is that merger applies when there are only a very small number of ways (perhaps only one way) of expressing an idea, and results in a denial of copyright protection altogether. Thin protection occurs when there are enough different ways to express the idea that merger does not apply, but still the number of different ways of expressing the idea is sufficiently limited that “thicker” protection of the expression would threaten to unduly tie up the idea itself. When a court says that it will afford a copyrighted work only thin protection, what it means is that it will only find infringement by an unauthorized copy of the work that is identical, or at least very nearly identical, to the copyrighted work.

As stated by Judge Kozinski:

If there’s a wide range of expression (for example, there are gazillions of ways to make an aliens-attack movie), then copyright protection is “broad” [editor’s note, i.e., “thick”] and a work will infringe if it’s “substantially similar” to the copyrighted work. If there’s only a narrow range of expression (for example, there are only so many ways to paint a red bouncy ball on blank canvas), then copyright protection is “thin” and a work must be “virtually identical” to infringe.<sup>5</sup>

Some examples help illustrate this principle. A book in the Harry Potter series would receive relatively

thick/broad protection, since there are a vast number of different ways of expressing the underlying ideas in these books, *e.g.*, a school for young wizards and witches. The copyright in a Harry Potter book could be infringed by another book that is quite different in the details, but nonetheless deemed substantially similar by a court. This would be an example of non-literal infringement, which is discussed later in this casebook, along with the “substantial similarity” standard used in assessing copyright infringement.

On the other hand, a copyrighted database of factual information will typically be afforded only thin protection, if a court concludes that there are only a limited number of ways of expressing the underlying idea, *i.e.*, the factual information. As a consequence of thin protection, a court would only find the copyrighted database to be infringed by a database presenting the factual information in an identical (or near identical) manner. This is basically the scenario invoked by the Supreme Court in *Feist*, which the reader is encouraged to revisit at this point to review the Supreme Court’s discussion of thin protection in that case. Other examples of subject matter likely to be afforded thin protection would be a recipe or the rules for a contest.

The doctrines of thin protection and merger, and their role in enforcing the idea-expression dichotomy, are illustrated in the following cases.

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Some things to consider when reading *Morrissey*:

1. The court’s invocation of the idea-expression dichotomy to find that the plaintiff’s description of the rules of its “sweepstakes” contest is not copyrightable. The court does not use the word “idea,” but that is what it is getting at when it holds that the “substance” of the contest is not copyrightable.
2. Although the court does not use the word “thin” protection, that is what it’s getting at when it refers to “the principle of a stringent standard for showing infringement which some courts apply when the subject matter involved admits of little variation in form of expression.”
3. The court does not use the word “merger,” but that was the basis of its decision, and to this day *Morrissey* is considered to be one of the seminal examples of a court applying the merger doctrine. Take note of the court’s discussion of the policy underlying the merger doctrine.

### *Morrissey v. Procter & Gamble Co.*

379 F.2d 675 (1st Cir. 1967)

ALDRICH, Chief Judge.

This is an appeal from a summary judgment for the defendant. The plaintiff, *Morrissey*, is the copyright owner of a set of rules for a sales promotional contest of the ‘sweepstakes’ type involving the social security numbers of the participants. Plaintiff alleges that the defendant, Procter & Gamble Company, infringed, by copying, almost precisely, Rule 1. In its motion for summary judgment defendant denies that plaintiff’s Rule 1 is copyrightable material. The district court held for the defendant.

[As a preliminary matter,] we recite plaintiff's Rule 1, and defendant's Rule 1, the italicizing in the latter being ours to note the defendant's variations or changes.

Plaintiff's Rule:

1. Entrants should print name, address and social security number on a boxtop, or a plain paper. Entries must be accompanied by \* \* \* boxtop or by plain paper on which the name \* \* \* is copied from any source. Official rules are explained on \* \* \* packages or leaflets obtained from dealer. If you do not have a social security number you may use the name and number of any member of your immediate family living with you. Only the person named on the entry will be deemed an entrant and may qualify for prize.

Use the correct social security number belonging to the person named on entry \* \* \* wrong number will be disqualified.

Defendant's Rule:

1. Entrants should print name, address and Social Security number on a Tide boxtop, or on (a) plain paper. Entries must be accompanied by Tide boxtop (*any size*) or by plain paper on which the name 'Tide' is copied from any source. Official rules are *available* on Tide Sweepstakes packages, or on leaflets at Tide dealers, or you can send a stamped, self-addressed envelope to: Tide 'Shopping Fling' Sweepstakes, P.O. Box 4459, Chicago 77, Illinois.

If you do not have a Social Security number, you may use the name and number of any member of your immediate family living with you. Only the person named on the entry will be deemed an entrant and may qualify for a prize.

Use the correct Social Security number, belonging to the person named on *the* entry- wrong numbers will be disqualified.

The district court took the position that since the substance of the contest was not copyrightable, which is unquestionably correct, *Baker v. Selden*, 101 U.S. 99 (1879), and the substance was relatively simple, it must follow that plaintiff's rule sprung directly from the substance and 'contains no original creative authorship.' This does not follow. Copyright attaches to form of expression, and defendant's own proof established that there was more than one way of expressing even this simple substance. Nor, in view of the almost precise similarity of the two rules, could defendant successfully invoke the principle of a stringent standard for showing infringement which some courts apply when the subject matter involved admits of little variation in form of expression.<sup>6</sup>

Nonetheless, we must hold for the defendant. When the uncopyrightable subject matter is very narrow, so that the topic necessarily requires, if not only one form of expression, at best only a limited number, to permit copyrighting would mean that a party or parties, by copyrighting a mere handful of forms, could exhaust all possibilities of future use of the substance. In such circumstances it does not seem accurate to say that any particular form of expression comes from the subject matter. However, it is necessary to say that the subject matter would be appropriated by permitting the copyrighting of its expression. We cannot recognize copyright as a game of chess in which the public can be checkmated.



Upon examination the matters embraced in Rule 1 are so straightforward and simple that we find this limiting principle to be applicable. Furthermore, its operation need not await an attempt to copyright all possible forms. It cannot be only the last form of expression which is to be condemned, as completing defendant's exclusion from the substance. Rather, in these circumstances, we hold that copyright does not extend to the subject matter at all, and plaintiff cannot complain even if his particular expression was deliberately adopted.

Affirmed.

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## Check Your Understanding – *Morrissey*

**Question 1.** The defendant in *Morrissey* prevailed by successfully invoking this doctrine of copyright law.



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-24>

Some things to consider when reading *Satava*:

1. The court's invocation of the idea-expression dichotomy to find that the plaintiff's jellyfish sculptures are only eligible for thin copyright protection.
2. The court's discussion of the "standard elements," or "*scenes a faire*" doctrine.
3. The basis of the court's determination of non-infringement.
4. How valuable the thin copyright protection afforded to the sculptures by the court is, and whether it restricts others from creating similar sculptures.

### *Satava v. Lowry*

323 F.3d 805 (9th Cir. 2003)

GOULD, Circuit Judge.

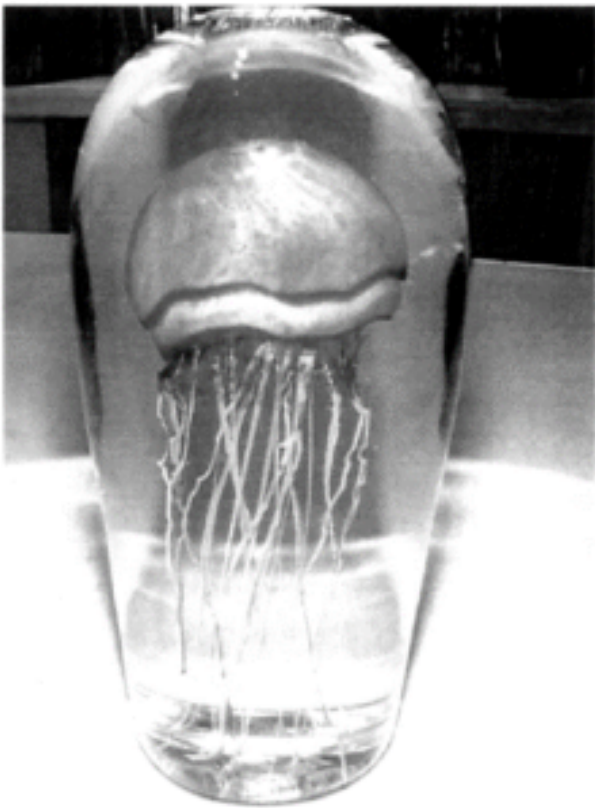
In the Copyright Act, Congress sought to benefit the public by encouraging artists' creative expression. Congress carefully drew the contours of copyright protection to achieve this goal. It granted artists the exclusive right to the original expression in their works, thereby giving them a financial incentive to create works to enrich our culture. But it denied artists the exclusive right to ideas and standard elements in their works, thereby preventing them from monopolizing what rightfully belongs to the public. In this case, we

must locate the faint line between unprotected idea and original expression in the context of realistic animal sculpture. We must decide whether an artist's lifelike glass-in-glass sculptures of jellyfish are protectable by copyright. Because we conclude that the sculptures are composed of unprotectable ideas and standard elements, and also that the combination of those unprotectable elements is unprotectable, we reverse the judgment of the district court.

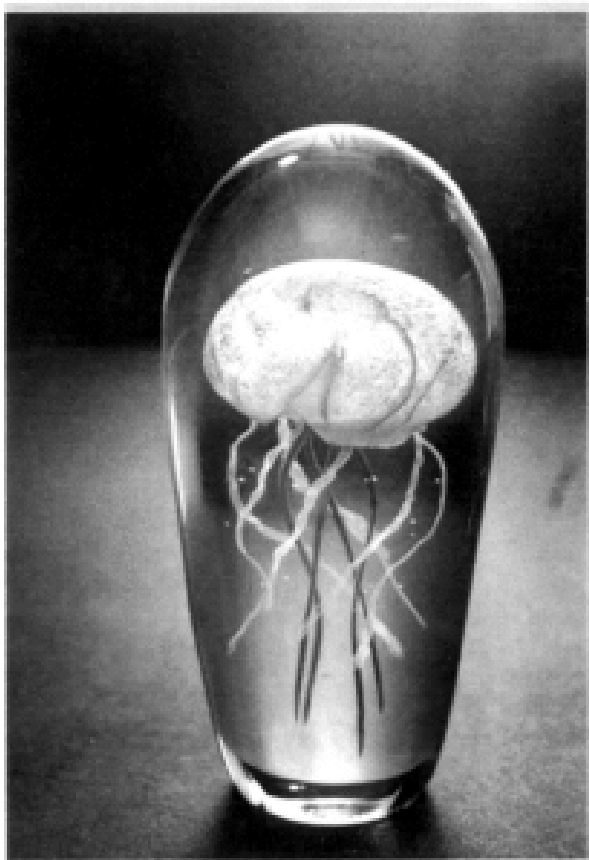
## I

Plaintiff Richard Satava is a glass artist from California. In the late 1980s, Satava was inspired by the jellyfish display at an aquarium. He began experimenting with jellyfish sculptures in the glass-in-glass medium and, in 1990, began selling glass-in-glass jellyfish sculptures. The sculptures sold well, and Satava made more of them. By 2002, Satava was designing and creating about three hundred jellyfish sculptures each month. Satava's sculptures are sold in galleries and gift shops in forty states, and they sell for hundreds or thousands of dollars, depending on size. Satava has registered several of his works with the Register of Copyrights.

Satava describes his sculptures as “vertically oriented, colorful, fanciful jellyfish with tendril-like tentacles and a rounded bell encased in an outer layer of rounded clear glass that is bulbous at the top and tapering toward the bottom to form roughly a bullet shape, with the jellyfish portion of the sculpture filling almost the entire volume of the outer, clearglass shroud.” Satava's jellyfish appear lifelike. They resemble the *pelagia colorata* that live in the Pacific Ocean:



During the 1990s, defendant Christopher Lowry, a glass artist from Hawaii, also began making glass-in-glass jellyfish sculptures. Lowry's sculptures look like Satava's, and many people confuse them:



In Hawaii, Satava's sculptures have appeared in tourist brochures and art magazines. The sculptures are sold in sixteen galleries and gift shops, and they appear in many store windows. Lowry admits he saw a picture of Satava's jellyfish sculptures in *American Craft* magazine in 1996. And he admits he examined a Satava jellyfish sculpture that a customer brought him for repair in 1997.

Glass-in-glass sculpture is a centuries-old art form that consists of a glass sculpture inside a second glass layer, commonly called the shroud. The artist creates an inner glass sculpture and then dips it into molten glass, encasing it in a solid outer glass shroud. The shroud is malleable before it cools, and the artist can manipulate it into any shape he or she desires.

Satava filed suit against Lowry accusing him of copyright infringement. Satava requested, and the district court granted, a preliminary injunction, enjoining Lowry from making sculptures that resemble Satava's. Lowry appealed to us.

## II

We hold that the district court based its decision on an erroneous legal standard, so we reverse.

Copyright protection is available for "original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 102(a). Copyright protection does not, however, "extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery...." 17 U.S.C. § 102(b).

Any copyrighted expression must be “original.” *Feist Pubs., Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 345 (1991). The originality requirement mandates that objective “facts” and ideas are not copyrightable. Similarly, expressions that are standard, stock, or common to a particular subject matter or medium are not protectable under copyright law.<sup>7</sup>

It follows from these principles that no copyright protection may be afforded to the idea of producing a glass-in-glass jellyfish sculpture or to elements of expression that naturally follow from the idea of such a sculpture. See *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 901 (9th Cir.1987) (“No copyright protection may be afforded to the idea of producing stuffed dinosaur toys or to elements of expression that necessarily follow from the idea of such dolls.”). Satava may not prevent others from copying aspects of his sculptures resulting from either jellyfish physiology or from their depiction in the glass-in-glass medium.

Satava may not prevent others from depicting jellyfish with tendril-like tentacles or rounded bells, because many jellyfish possess those body parts. He may not prevent others from depicting jellyfish in bright colors, because many jellyfish are brightly colored. He may not prevent others from depicting jellyfish swimming vertically, because jellyfish swim vertically in nature and often are depicted swimming vertically. See *id.* at 901 n. 1 (noting that a *Tyrannosaurus* stuffed animal’s open mouth was not an element protected by copyright because *Tyrannosaurus* “was a carnivore and is commonly pictured with its mouth open”).

Satava may not prevent others from depicting jellyfish within a clear outer layer of glass, because clear glass is the most appropriate setting for an aquatic animal. See *id.* (noting that a *Pterodactyl* stuffed animal’s depiction as a mobile hanging from the ceiling was not protectable because *Pterodactyl* “was a winged creature and thus is appropriate for such treatment”). He may not prevent others from depicting jellyfish “almost filling the entire volume” of the outer glass shroud, because such proportion is standard in glass-in-glass sculpture. And he may not prevent others from tapering the shape of their shrouds, because that shape is standard in glass-in-glass sculpture.

Satava’s glass-in-glass jellyfish sculptures, though beautiful, combine several unprotectable ideas and standard elements. These elements are part of the public domain. They are the common property of all, and Satava may not use copyright law to seize them for his exclusive use.

It is true, of course, that a *combination* of unprotectable elements may qualify for copyright protection. But it is not true that *any* combination of unprotectable elements automatically qualifies for copyright protection. Our case law suggests, and we hold today, that a combination of unprotectable elements is eligible for copyright protection only if those elements are numerous enough and their selection and arrangement original enough that their combination constitutes an original work of authorship.

The combination of unprotectable elements in Satava’s sculpture falls short of this standard. The selection of the clear glass, oblong shroud, bright colors, proportion, vertical orientation, and stereotyped jellyfish form, considered together, lacks the quantum of originality needed to merit copyright protection. These elements are so commonplace in glass-in-glass sculpture and so typical of jellyfish physiology that to recognize copyright protection in their combination effectively would give Satava a monopoly on lifelike glass-in-glass sculptures of single jellyfish with vertical tentacles. Because the quantum of originality Satava added in combining these standard and stereotyped elements must be considered “trivial” under our case law, Satava cannot prevent other artists from combining them.

We do not mean to suggest that Satava has added nothing copyrightable to his jellyfish sculptures. He has made some copyrightable contributions: the distinctive curls of particular tendrils; the arrangement of certain hues; the unique shape of jellyfishes' bells. To the extent that these and other artistic choices were not governed by jellyfish physiology or the glass-in-glass medium, they are original elements that Satava theoretically may protect through copyright law. Satava's copyright on these original elements (or their combination) is "thin," however, comprising no more than his original contribution to ideas already in the public domain. Stated another way, Satava may prevent others from copying the original features he contributed, but he may not prevent others from copying elements of expression that nature displays for all observers, or that the glass-in-glass medium suggests to all sculptors. Satava possesses a thin copyright that protects against only virtually identical copying.

We do not hold that realistic depictions of live animals cannot be protected by copyright. We recognize, however, that the scope of copyright protection in such works is narrow. Nature gives us ideas of animals in their natural surroundings: an eagle with talons extended to snatch a mouse; a grizzly bear clutching a salmon between its teeth; a butterfly emerging from its cocoon; a wolf howling at the full moon; a jellyfish swimming through tropical waters. These ideas, first expressed by nature, are the common heritage of humankind, and no artist may use copyright law to prevent others from depicting them.

An artist may, however, protect the original expression he or she contributes to these ideas. An artist may vary the pose, attitude, gesture, muscle structure, facial expression, coat, or texture of animal. An artist may vary the background, lighting, or perspective. Such variations, if original, may earn copyright protection. Because Satava's jellyfish sculptures contain few variations of this type, the scope of his copyright is narrow.

We do not mean to short-change the legitimate need of creative artists to protect their original works. After all, copyright law achieves its high purpose of enriching our culture by giving artists a financial incentive to create. But we must be careful in copyright cases not to cheat the public domain. Only by vigorously policing the line between idea and expression can we ensure both that artists receive due reward for their original creations and that proper latitude is granted other artists to make use of ideas that properly belong to us all.

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## Check Your Understanding – *Satava*

**Question 1.** True or false: The court's decision in *Satava* leaves the plaintiff with no copyright protection for his sculptures.



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-25>

Some things to consider when reading *Silvertop Assocs.*:

1. This decision applies the “merger” and “*scenes a faire*” doctrines to a full-body banana costume.
2. Other aspects of this decision addressing the useful article doctrine appear later in this casebook.

### *Silvertop Assocs. Inc. v. Kangaroo Mfg. Inc.*

931 F.3d 215 (3d Cir. 2019)

HARDIMAN, Circuit Judge.

This interlocutory appeal involves the validity of a copyright in a full-body banana costume. Appellant Kangaroo Manufacturing Inc. concedes that the banana costume it manufactures and sells is substantially similar to the banana costume created and sold by Appellee Rasta Imposta. See *infra* Appendix A. We hold that, in combination, the Rasta costume’s non-utilitarian, sculptural features are copyrightable.

\* \* \*

Kangaroo invokes two copyright doctrines—merger and *scenes a faire*—to argue the banana costume is ineligible for protection. Both arguments address the same question: whether copyrighting the banana costume would effectively monopolize an underlying idea, either directly or through elements necessary to that idea’s expression.

Because Congress has excluded “any idea, procedure, process, system, method of operation, concept, principle, or discovery” from copyright protection, 17 U.S.C. § 102(b), courts deny such protection when a work’s underlying idea can effectively be expressed in only one way. Courts term this rare occurrence “merger,” and find it only when “there are no or few other ways of expressing a particular idea.”

Here, copyrighting Rasta’s banana costume would not effectively monopolize the underlying idea because there are many other ways to make a costume resemble a banana. Indeed, Rasta provided over 20 non-infringing examples. As the District Court observed, one can easily distinguish those examples from Rasta’s costume based on the shape, curvature, tips, tips’ color, overall color, length, width, lining, texture, and material. We agree and hold the merger doctrine does not apply here.

Courts also exclude *scenes a faire* from copyright protection, which include elements standard, stock, or common to a particular topic or that necessarily follow from a common theme or setting. The doctrine covers those elements of a work that necessarily result from external factors inherent in the subject matter of the work.” As with merger, the *scenes a faire* doctrine seeks to curb copyright’s potential to allow monopolizing an underlying idea—via features that are so common or necessary to that idea’s expression that copyrighting them effectively copyrights the idea itself. *E.g.*, *Mitel*, 124 F.3d 1366, 1374–75 (10<sup>th</sup> Cir. 1997)(citing foot chases as a *scene a faire* of police fiction).

Here too, copyrighting the banana costume’s non-utilitarian features in combination would not threaten such monopolization. Kangaroo points to no specific feature that *necessarily* results from the costume’s subject matter (a banana). Although a banana costume is likely to be yellow, it could be any shade of

yellow—or green or brown for that matter. Although a banana costume is likely to be curved, it need not be—let alone in any particular manner. And although a banana costume is likely to have ends that resemble a natural banana’s, those tips need not look like Rasta’s black tips (in color, shape, or size). Again, the record includes over 20 examples of banana costumes that Rasta concedes would be non-infringing. The *scènes à faire* doctrine does not apply here either.

\* \* \*

Because Rasta established a reasonable likelihood that it could prove entitlement to protection for the veritable fruits of its intellectual labor, we will affirm.

#### APPENDIX A

**RASTA IMPOSTA**



**KANGAROO ITEM 10477**



**KANGAROO ITEM 10478**



### Check Your Understanding – *Silvertop Assocs.*

#### Socratic Script

How was the idea-expression dichotomy applied by the courts in *Silvertop Assocs.* and *Lanard Toys* to arrive at the opposite result with respect to separability?





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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-43>

Can you rationalize the divergent outcomes with respect to the copyrightability of a banana-shaped costume versus a pencil-shaped chalk holder?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-44>

Some things to consider when reading CDN:

1. This case appeared earlier in the book in the section on originality. In the part of the decision excerpted below, the court finds that merger does not preclude copyright protection for CDN's wholesale coin prices.
2. What does the court identify as the idea in this case? And what does it identify as the expression?

### *CDN Inc. v. Kapes*

197 F.3d 1256 (9th Cir. 1999)

O'SCANNLAIN, Circuit Judge.

*[Editor's note: The facts of this case, and the court's decision finding CDN's wholesale coin prices copyrightable, appear earlier in this casebook.]*

## IV

In his defense, Kapes argues that a price is an idea of the value of the product, which can be expressed only using a number. Thus the idea and the expression merge and neither qualifies for copyright protection. This is the doctrine of merger. In order to protect the free exchange of ideas, courts have long held that when expression is essential to conveying the idea, expression will also be unprotected. But accepting the principle in all cases, including on these facts, would eviscerate the protection of the copyright law. Cf. CCC, 44 F.3d at 70 (noting that every compilation represents an idea, which in order to be conveyed accurately must be conveyed only by its expression).

Conceptually, the problem arises because the critical distinction between “idea” and “expression” is difficult to draw. We have endorsed Judge Hand's abstractions formulation laid out in *Nichols v. Universal Pictures*



Corp., 45 F.2d 119, 121 (2d Cir.1930). The formulation recognizes that every work can be described at varying levels of abstraction, and the higher the level of abstraction copied, the less likely this taking will be infringement of a copyright.

As Judge Hand noted, the difference between idea and expression is one of degree. This circuit has held that “[t]he guiding consideration in drawing the line is the preservation of the balance between competition and protection reflected in the patent and copyright laws.” *Rosenthal*, 446 F.2d at 742. In this case, the prices fall on the expression side of the line. CDN does not, nor could it, claim protection for its idea of creating a wholesale price guide, but it can use the copyright laws to protect its idea of what those prices are. Drawing this line preserves the balance between competition and protection: it allows CDN’s competitors to create their own price guides and thus furthers competition, but protects CDN’s creation, thus giving it an incentive to create such a guide. The doctrine of merger does not bar copyright protection in this case.

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## Check Your Understanding – CDN

**Question 1.** In the excerpt from CDN provided above, what rationale did the court provide for its rejection of the defendant’s argument that the plaintiff’s wholesale coin prices constituted “ideas,” as opposed to the expression of those ideas?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-26>

Some things to consider when reading *Kregos*:

1. The fact that *Kregos* is not asserting copyright protection of the actual statistics, but rather “the particular selection of categories of statistics appearing on his form.”
2. The court’s application of *Feist* to *Kregos*’s pitching forms, and the question of whether the plaintiff’s selection of categories of baseball statistics was sufficiently original. *Feist* came out shortly before *Kregos* was decided.
3. The court’s comparison of the facts in this case with the Second Circuit’s earlier decisions in *Eckes* and *FII*.
4. The significance of the fact that the district court decided the case on a motion for summary judgment.
5. The court’s application of Judge Hand’s “abstractions test” from *Nichols*, and the significance of the judges’ different definitions of the “idea” of the pitching forms.
6. The fact that the case ultimately hinges on the judges’ determination of where to draw the line

between idea and expression when the purported copyright is based on the author's selection and arrangement of facts.

7. The significance of the court's observation that Kregos "does not present his selection of nine statistics as a method of predicting the outcome of baseball games."
8. The court's discussion of "the continuum spanning matters of pure taste to matters of predictive analysis," and the potential policy concerns raised by the hypothetical "doctor who publishes a list of symptoms that he believes provides a helpful diagnosis of a disease."
9. Although the court does not use the term "thin protection," that is what it is getting at in subsection I.D, i.e., "Extent of Protection."
10. An example of one of the plaintiffs baseball pitching forms, taken from an appendix of the district court decision, is presented below.

THE HARTFORD COURANT: Sunday, May 6, 1994

# SCOREBOARD

## Today's Games

AMERICAN LEAGUE													
1994													
at home at away													
Last 3 starts													
Team	Pitcher (R)	Time	Code	W/L	ERA	W/L	IP	ERA	W/L	IP	ERA	W/L	ERA
DET	Woods (R)		Even-8	3-0	3.34	0-0	13	3.08	0-0	20	3.08	11-01	11.01
CLE	Hyndman (R)	1:30		0-0	3.14	0-0	8	3.08	1-1	22	3.08	12-00	12.00
K.C.	Quen (L)			0-0	3.35	0-0	9%	3.31	0-0	21%	3.31	1.88	9.88
TOR	Alexander (R)	1:30	5%+8%	1-1	3.83				1-1	21%	3.81	9.81	
CHC	Ramirez (L)		Even-8	2-2	3.10	0-1	8	3.28	1-1	18%	3.28	15.10	
MON	Rural (L)	2:00		2-2	3.82	1-1	13%	4.73	2-1	18	1.88	15.00	
CAR	Warren (R)		Even-8	2-0	3.82				2-1	18	3.28	15.00	
MIN	Rodrig (L)	2:15		0-0	1.30				0-0	8	1.30	13.00	
N.Y.	Fontenot (L)			0-0	4.88	1-0	7	5.14	0-0	16%	2.74	13.20	
MIL	Capasone (R)	2:30	5%+8%	0-1	3.00				0-1	23%	1.80	12.00	
BAL	Wodoloch (R)		0-7	1-0	3.18	1-0	8	4.90	1-1	23	1.87	18.17	
TEX	Darwin (R)	3:00		2-0	2.40	1-0	8%	3.00	2-0	28	1.99	7.94	
CAL	John (L)		5%+8%	0-0	3.08				1-1	21%	3.11	11.28	
SEA	Young (L)	4:00		2-0	3.62	1-0	11%	3.77	0-1	11%	3.49	20.82	
NATIONAL LEAGUE													
ATL	McMurtry (R)			2-0	3.38	1-0	7	3.88	1-1	20%	3.10	11.28	
MON	Lee (R)	1:00	0-2	4-1	3.87	0-1	7	3.42	2-0	22	3.79	13.20	
ATL	Carp (R)			2-0	3.31	0-1	8	4.28	0-0	11%	3.31	10.00	
MON	Palmer (R)		0-7	2-0	3.78				1-0	14%	3.48	15.00	
L.A.	Pera (R)			0-1	1.41	0-0	7%	3.28	0-0	24%	1.11	7.40	
PIT	McWilliams (L)	1:30	Post-10%	0-0	3.24	0-0	8	3.20	0-0	17	3.18	15.10	
L.A.	Vazquez (L)		5%+8%	0-0	3.83	0-0	7%	3.88	0-0	27	3.67	4.33	
PIT	Tucker (L)			1-1	2.81				0-1	18%	4.18	14.43	
CHM	Russell (R)			1-0	3.14				0-0	22	1.23	11.48	
PHI	Carlson (L)	1:30	7%+8%	1-1	2.50	1-0	8	4.90	0-1	21	3.18	15.07	
HOUS	Byan (R)			1-0	3.88	2-0	15%	3.30		16	3.88	13.04	
MTN	Graden (R)	1:30	Post-10%	2-1	2.83				1-0	18	0.47	9.95	
S.F.	Leahy (R)			0-0	3.30				0-0	19%	3.29	18.08	
STL	Andrzej (R)	2:15	8%+1%	4-0	3.00	0-1	15%	2.87	2-1	23	3.24	18.08	
S.D.	Shaw (R)			4-1	1.88	2-0	14	1.50	2-1	11%	1.88	18.00	
CUB	Rodriguez (R)	3:00	Even-8	2-0	3.35				0-0	11%	2.74	13.00	

Bottom team is home team. Favored team is designated by odds beside pitcher's name. All pitching data reflects the pitcher's past performance as a "starter." (1994—Pitcher's 1994 record as "starter." vs Team at site—Pitcher's past performance vs. today's opponent at the site of today's game. Last 3 starts—Reflects how pitcher is currently doing. Details his performance over his last three starts. W/L—Win/loss record as a "starter." IP—Innings pitched. ERA—Earned run average. W/L—Win/loss record as a "starter." (Average number of runs allowed to reach base via hits and walks per nine innings pitched.) The odds are estimated lines. Time is Eastern Daylight Time.

## *Kregos v. Associated Press*

937 F.2d 700 (2d Cir. 1991)

JON O. NEWMAN, Circuit Judge:

The primary issue on this appeal is whether the creator of a baseball pitching form is entitled to a copyright. The appeal requires us to consider the extent to which the copyright law protects a compiler of information. George L. Kregos appeals from the April 30, 1990, judgment of the District Court for the Southern District of New York (Gerard L. Goettel, Judge) dismissing on motion for summary judgment his copyright claims against the Associated Press (“AP”) and Sports Features Syndicate, Inc. (“Sports Features”). We conclude that Kregos is entitled to a trial on his copyright claim, though the available relief may be extremely limited.

### **Facts**

The facts are fully set forth in Judge Goettel's thorough opinion, 731 F.Supp. 113 (S.D.N.Y.1990). The reader's attention is particularly called to the appendices to that opinion, which set forth Kregos' pitching form and the allegedly infringing forms. *Id.* at 122–24 (Appx. 1–4). Kregos distributes to newspapers a pitching form, discussed in detail below, that displays information concerning the past performances of the opposing pitchers scheduled to start each day's baseball games. The form at issue in this case, first distributed in 1983, is a redesign of an earlier form developed by Kregos in the 1970's. Kregos registered his form with the Copyright Office and obtained a copyright. Though the form, as distributed to subscribing newspapers, includes statistics, the controversy in this case concerns only Kregos' rights to the form without each day's data, in other words, his rights to the particular selection of categories of statistics appearing on his form.

In 1984, AP began publishing a pitching form provided by Sports Features. The AP's 1984 form was virtually identical to Kregos' 1983 form. AP and Sports Features changed their form in 1986 in certain respects, which are discussed in part I(d) below.

Kregos' 1983 form lists four items of information about each day's games—the teams, the starting pitchers, the game time, and the betting odds, and then lists nine items of information about each pitcher's past performance, grouped into three categories. Since there can be no claim of a protectable interest in the categories of information concerning each day's game, we confine our attention to the categories of information concerning the pitchers' past performances. For convenience, we will identify each performance item by a number from 1 to 9 and use that number whenever referring to the same item in someone else's form.

The first category in Kregos' 1983 form, performance during the entire season, comprises two items—won/lost record (1) and earned run average (2). The second category, performance during the entire season against the opposing team at the site of the game, comprises three items—won/lost record (3), innings pitched (4), and earned run average (5). The third category, performance in the last three starts, comprises four items—won/lost record (6), innings pitched (7), earned run average (8), and men on base average (9). This last item is the average total of hits and walks given up by a pitcher per nine innings of pitching.

It is undisputed that prior to Kregos' 1983 form, no form had listed the same nine items collected in his form.

It is also undisputed that some but not all of the nine items of information had previously appeared in other forms.

*District Court decision.* The District Court granted summary judgment for the defendants on Kregos' copyright claim. The Court ruled that Kregos lacked a copyrightable interest in his pitching form on three grounds. First, the Court concluded that Kregos' pitching form was insufficiently original in its selection of statistics to warrant a copyright as a compilation. Second, the Court concluded that, in view of the limited space available for displaying pitching forms in newspapers, the possible variations in selections of pitching statistics were so limited that the idea of a pitching form had merged into its expression.

## Discussion

### I. Copyright Claim

**A. Copyright for a Compilation of Facts.** The basic principles concerning copyright protection for compilations of facts are clear and have recently been authoritatively restated in the Supreme Court's decision rejecting copyright protection for telephone book white pages. *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991) ("Feist").

As to compilations of facts, independent creation as to selection and arrangement will not assure copyright protection; the requirement of minimal creativity becomes an important ingredient of the test for copyright entitlement.

Prior to *Feist*, we had applied these principles to require some minimal level of creativity in two fairly recent cases that illustrate compilations of facts one of which is and one of which is not entitled to a copyright, *Eckes v. Card Prices Update*, 736 F.2d 859 (2d Cir.1984), and *Financial Information, Inc. v. Moody's Investors Service*, 808 F.2d 204 (2d Cir.1986) ("FII"). In *Eckes* we upheld a District Court's finding, made after trial, that a selection of 5,000 out of 18,000 baseball cards to be considered "premium" was entitled to a copyright. In *FII* we upheld a District Court's finding, also made after trial, that the listing of five items of information concerning municipal bond calls lacked sufficient selection to warrant a copyright; in almost all instances, the five items for the various bond issues had all appeared in "tombstone" ads, and only "minor additional research" was needed to complete the listings.

Kregos' pitching form presents a compilation of facts that falls between the extremes illustrated by *Eckes* and *FII*. Kregos has selected nine items of information concerning a pitcher's performance. The universe of known facts available only from inspection of box scores of prior games is considerably greater than nine, though perhaps not as great as the quantity of 18,000 cards in *Eckes*. For example, Kregos could have selected past performances from any number of recent starts, instead of using the three most recent starts. And he could have chosen to include strikeouts, walks, balks, or hit batters. By consulting play-by-play accounts of games, instead of box scores, he could have counted various items such as the number of innings in which the side was retired in order, or in which no runner advanced as far as second base. Or he could have focused on performance under pressure by computing the percentage of innings in which a runner scored out of total innings in which a runner reached second base, and he could have chosen to calculate this statistic for any number of recent starts. In short, there are at least scores of available statistics about pitching performance available to be calculated from the underlying data and therefore thousands of combinations of data that a selector can choose to include in a pitching form.

It cannot be said as a matter of law that in selecting the nine items for his pitching form out of the universe of available data, Kregos has failed to display enough selectivity to satisfy the requirement of originality. Whether in selecting his combination of nine items he has displayed the requisite degree of creativity is a somewhat closer question. Plainly he has done better than the compiler in *FII* who “selected” only the five facts about bond calls already grouped together in nearly all tombstone ads. Judge Goettel was persuaded to rule against Kregos, at least in part, because “most of the statistics ... had been established in previously existing forms.” But that observation is largely irrelevant to the issue of whether Kregos’ *selection* of statistics displays sufficient creativity to warrant a copyright. Nearly all copyrighted compilations of facts convey facts that have been published elsewhere. Each of the cards selected for the “premium” category in *Eckes* had previously been published. To hold a valid copyright, a compiler of facts need not be a discoverer of facts. Indeed, any discovered fact, or, in Kregos’ case, any newly devised statistic, would not, in and of itself, be eligible for copyright protection.

The prior publication of some of the statistics on Kregos’ form might indicate, however, that his selection is not sufficiently different from those grouped in earlier publications to satisfy minimal creativity. That conclusion cannot rest on just the prior appearance of the statistics Kregos chose to use, but might rest on the prior appearance of a *selection* of those statistics that either is identical to Kregos’ selection or varies from his only to a trivial degree. In that event, the first issue would be whether Kregos could demonstrate originality, *i.e.*, persuade the trier that he had not copied from the similar selection. Even if Kregos could satisfy that burden, the issue would then arise as to whether the previously published selections of statistics had reached the point where it could be said that Kregos’ selection was insufficiently creative, or in the words of Feist, “entirely typical,” “garden-variety,” or “obvious.” In view of the variety of pitching forms disclosed in the record, it is unlikely that such a conclusion could be reached and certainly could not be reached as a matter of law.

But these issues are not even likely to arise because the record discloses no prior pitching form with more than three of the pitching performance statistics that are included in Kregos’ selection of nine statistics. There is no prior form that is identical to his nor one from which his varies in only a trivial degree. The validity of his copyright in a compilation of facts cannot be rejected as a matter of law for lack of the requisite originality and creativity.

**B. Idea/Expression Merger.** The fundamental copyright principle that only the expression of an idea and not the idea itself is protectable has produced a corollary maxim that even expression is not protected in those instances where there is only one or so few ways of expressing an idea that protection of the expression would effectively accord protection to the idea itself.

In one sense, every compilation of facts can be considered to represent a merger of an idea with its expression. Every compiler of facts has the idea that his particular selection of facts is useful. If the compiler’s idea is identified at that low level of abstraction, then the idea would always merge into the compiler’s expression of it. Under that approach, there could never be a copyrightable compilation of facts. However, if the idea is formulated at a level of abstraction above the particular selection of facts the compiler has made, then merger of idea and expression is not automatic. Even with an idea formulated at a somewhat high level of abstraction, circumstances might occur where the realistic availability of differing expressions is so drastically limited that the idea can be said to have merged in its expression.

In this case, Judge Goettel understood Kregos' idea to be "to publish an outcome predictive pitching form." In dissent, Judge Sweet contends that Kregos' idea is that the nine statistics he has selected are the most significant ones to consider when attempting to predict the outcome of a baseball game. Unquestionably, if that is the idea for purposes of merger analysis, then merger of that idea and its expression has occurred—by definition.

Though there is room for fair debate as to the identification of the pertinent idea whenever merger analysis is applied to a compilation of facts, we think the "idea" in this case is the one as formulated by Judge Goettel. Kregos has not devised a system that he seeks to withdraw from the public domain by virtue of copyright. He does not present his selection of nine statistics as a method of predicting the outcome of baseball games. His idea is that of "an outcome predictive pitching form" in the general sense that it selects the facts that he thinks newspaper readers should consider in making their own predictions of outcomes. He does not purport to weight the nine statistics, much less provide a method for comparing the aggregate value of one pitcher's statistics against that of the opposing pitcher in order to predict an outcome or even its probability of occurring. He has not devised a system, as had the deviser of a bookkeeping system in *Baker v. Selden*. He has compiled facts, or at least categories of facts.

Though formulating the idea as "an outcome predictive pitching form," Judge Goettel applied the merger doctrine, concluding that the idea of selecting outcome predictive statistics to rate pitching performance was capable of expression in only a very limited number of ways.

As the various pitching forms in the record indicate, the past performances of baseball pitchers can be measured by a variety of statistics, as can the past performances of race horses. Kregos' selection of categories includes three statistics for the pitcher's current season performance against the day's opponent at the site of the day's game; other charts select "at site" performance against the opponent during the prior season, and some select performance against the opponent over the pitcher's career, both home and away. Some charts include average men on base per nine innings; others do not. The data for most recent starts could include whatever number of games the compiler thought pertinent. These variations alone (and there are others) abundantly indicate that there are a sufficient number of ways of expressing the idea of rating pitchers' performances to preclude a ruling that the idea has merged into its expression.

In reaching this conclusion, we confess to some unease because of the risk that protection of selections of data, or, as in this case, categories of data, have the potential for according protection to ideas. Our concern may be illustrated by an example of a doctor who publishes a list of symptoms that he believes provides a helpful diagnosis of a disease. There might be many combinations of symptoms that others could select for the same purpose, but a substantial question would nonetheless arise as to whether that doctor could obtain a copyright in his list, based on the originality of his selection. If the idea that the doctor is deemed to be expressing is the general idea that the disease in question can be identified by observable symptoms, then the idea might not merge into the doctor's particular expression of that idea by his selection of symptoms. That general idea might remain capable of many other expressions. But it is arguable that the doctor has conceived a more precise idea—namely, the idea that his selection of symptoms is a useful identifier of the disease. That more limited idea can be expressed only by his selection of symptoms, and therefore might be said to have merged into his expression. Thus, as with the idea/expression dichotomy itself, see *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir.1930) (Judge Learned Hand's formulation of the "abstractions

test”), application of the doctrine of an idea merging with its expression depends on the level of abstraction at which the idea is formulated.

As long as selections of facts involve matters of taste and personal opinion, there is no serious risk that withholding the merger doctrine will extend protection to an idea. That was surely the case with the selection of premium baseball cards in *Eckes*. However, where a selection of data is the first step in an analysis that yields a precise result or even a better-than-average probability of some result, protecting the “expression” of the selection would clearly risk protecting the idea of the analysis.

Kregos’ pitching form is part way along the continuum spanning matters of pure taste to matters of predictive analysis. He is doing more than simply saying that he holds the opinion that his nine performance characteristics are the most pertinent. He implies that his selections have some utility in predicting outcomes. On the other hand, he has not gone so far as to provide a system for weighing the combined value of the nine characteristics for each of two opposing pitchers and determining a probability as to which is more likely to win. Like the compilers of horse racing statistics, Kregos has been content to select categories of data that he obviously believes have some predictive power, but has left it to all sports page readers to make their own judgments as to the likely outcomes from the sets of data he has selected. His “idea,” for purposes of the merger doctrine, remains the general idea that statistics can be used to assess pitching performance rather than the precise idea that his selection yields a determinable probability of outcome. Since there are various ways of expressing that general idea, the merger doctrine need not be applied to assure that the idea will remain in the public domain.

**D. Extent of Protection.** Our ruling that Kregos’ copyright claim survives defendants’ motion for summary judgment does not, of course, mean that he will necessarily obtain much of a victory. “Even if a work qualifies as a copyrightable compilation, it receives only limited protection.... [C]opyright protects only the elements that owe their origin to the compiler—the selection, coordination, and arrangement of facts.” *Feist*, 111 S.Ct. at 1294. If Kregos prevails at trial on the factual issues of originality and creativity, he will be entitled to protection only against infringement of the protectable features of his form. Only the selection of statistics might be entitled to protection. We agree entirely with Judge Goettel that nothing in Kregos’ arrangement of the selected statistics displays the requisite creativity. As to the arrangement, Kregos’ form is surely a “garden-variety” pitching form. The statistics are organized into the “obvious” arrangement of columns, and the form follows the pattern of most other forms: the statistics are organized into three groups, first the statistics about each pitcher’s performance for the season, then the statistics about the pitcher’s performance against the day’s opponent, and finally the statistics concerning the pitcher’s recent starts.

Even as to the selection of statistics, if Kregos establishes entitlement to protection, he will prevail only against other forms that can be said to copy his selection. That would appear to be true of the AP’s 1984 form, which, as Judge Goettel noted, is “identical in virtually every sense to plaintiff’s form.” Whether it is also true of the AP’s current form, revised in 1986, is far less certain. That form contains six of Kregos’ nine items (1, 2, 6, 7, 8, 9). It also includes four items that Kregos does not have. Three of these items concern performance against the day’s opposing team—won-lost record, innings pitched, and earned run average; though these three statistics appear on Kregos’ form, the AP’s 1986 form shows data for the current season both home and away, whereas Kregos’ form shows data for the pitcher’s current season at the site of that day’s game. The fourth item on the AP’s 1986 form and not on Kregos’ form shows the team’s record in games started by that day’s pitcher during the season.

The reason for doubting that the AP's 1986 form infringes Kregos' form arises from the same consideration that supports Kregos' claim to a copyright. Kregos can obtain a copyright by displaying the requisite creativity in his selection of statistics. But if someone else displays the requisite creativity by making a selection that differs in more than a trivial degree, Kregos cannot complain.<sup>8</sup> Kregos contends that the AP's 1986 form makes insignificant changes from its 1984 form. But Kregos cannot have it both ways. If his decision to select, in the category of performance against the opposing team, statistics for the pitcher's current season at the site of today's game displays, in combination with his other selections, enough creativity to merit copyright protection, then a competitor's decision to select in that same category performance statistics for the pitcher's season performance both home and away may well insulate the competitor from a claim of infringement. Thus, though issues remain to be explored before any determination can be made, it may well be that Kregos will have a valid claim only as to the AP's 1984 form.

## II

### Conclusion

The judgment of the District Court is reversed and remanded with respect to the copyright claim.

#### **SWEET, District Judge, concurring in part and dissenting in part:**

While I concur in the majority's conclusion that Kregos has displayed sufficient creativity to satisfy the *Feist Publications* standard for copyrightability, I would affirm the district court's grant of summary judgment because I conclude that Kregos' idea here has merged into his expression.

#### **1. Kregos' Idea**

I agree with the majority that Kregos displayed at least some creativity in selecting his nine statistics for his pitching form, and thereby satisfied the creativity standards of *Feist Publications*. However, I believe that this selection was not simply an expression of the idea that this information might be of interest to sports fans, but instead represented his very specific idea that these nine statistics were the most significant ones to consider when attempting to predict the outcome of a baseball game. I respectfully disagree with the majority's statement that Kregos' idea was the abstract "general idea that statistics can be used to assess pitching performance," because while I agree that the application of the merger doctrine will always depend on the level at which the idea is formulated, I do not believe that the majority has set forth convincing grounds for its determination as to the idea at issue here.

I have difficulty distinguishing between Kregos' work and the example of a doctor's identification of the symptoms to use in diagnosing a disease, which the majority suggests would be unprotectible because of merger. In making this suggestion, the majority eschews the notion that the doctor's idea is the "general idea that the disease in question can be identified by observable symptoms" in favor of the more precise formulation that the idea is that "his selection of symptoms is a useful identifier of the disease." This reasoning would appear to apply equally well to Kregos' case. In both cases, the creators have conceived very precise "ideas" concerning the significant data which ought to be considered in predicting a given result, and those ideas can be expressed only by identifying the relevant data. Of course, there is the obvious distinction that a system for making medical diagnoses is more socially beneficial than system for estimating sports



odds, but such a distinction does not offer a basis for denying copyright protection to one while granting it to the other.

In my opinion, Kregos' form constitutes an explanation of his preferred system of handicapping baseball games, and he seeks to use his copyright here to prevent others from practicing that system.

The majority characterizes Kregos' work as dealing with "matters of taste and opinion," and therefore compares it to the list of baseball card prices in *Eckes v. Card Prices Update*, 736 F.2d 859 (2d Cir.1984) rather than to the hypothetical doctor's diagnostic chart. In my view, both the pitching form and the diagnostic chart are expressions intended to assist in predicting particular outcomes, with the data intended to be used as a basis for that prediction. In contrast, neither the card price list nor the social register is associated with any defined event or result, and the information reported—the card prices—is itself the primary feature or attraction.

Therefore, because I believe that the district court was correct in holding that Kregos' form is uncopyrightable because his idea has merged with his expression of that idea, I respectfully dissent.

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## Check Your Understanding – Kregos

**Question 1.** What was the point of disagreement between the majority and dissent in *Kregos*?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-27>

**Question 2.** True or false: The distinction between what constitutes an unprotectable "idea" and what qualifies as a copyrightable "expression" of that idea is often difficult to draw in close cases.



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## Socratic Script



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-29>

Some things to consider when reading *Oracle v. Google*:

1. The basis for the district court's determination that the declaring code and the structure, sequence, and organization of Oracle's API packages were not copyrightable.
2. The basis for the Ninth Circuit's determination that the declaring code and the structure, sequence, and organization of Oracle's API packages were entitled to copyright protection.
3. The Ninth Circuit's rejection of the "bright line approaches" of *Lotus v. Borland*, a decision that appears earlier in this casebook, and *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222 (3<sup>rd</sup> Cir. 1986).
4. The discussion of the "short phrases" doctrine.

### *Oracle Am., Inc. v. Google Inc.*

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

O'MALLEY, Circuit Judge.

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

Oracle filed suit against Google Inc. ("Google") in the United States District Court for the Northern District of California, alleging that Google's Android mobile operating system infringed Oracle's patents and copyrights. [The district court found that the replicated elements of the 37 API packages—including the declaring code and the structure, sequence, and organization—were not subject to copyright protection, and entered final judgment in favor of Google on Oracle's copyright infringement claims.]

Because we conclude that the declaring code and the structure, sequence, and organization of the API packages are entitled to copyright protection, we reverse the district court's copyrightability determination.

#### **BACKGROUND**

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

Although it acknowledged that the overall structure of Oracle's API packages is creative, original, and

“resembles a taxonomy,” the district court found that it “is nevertheless a command structure, a system or method of operation—a long hierarchy of over six thousand commands to carry out pre-assigned functions”—that is not entitled to copyright protection under Section 102(b) of the Copyright Act. The court dismissed Oracle’s copyright claims, concluding that “the particular elements replicated by Google were free for all to use under the Copyright Act.”

## DISCUSSION

It is undisputed that Google copied 7,000 lines of declaring code and generally replicated the overall structure, sequence, and organization of Oracle’s 37 Java API packages. The central question before us is whether these elements of the Java platform are entitled to copyright protection. The district court concluded that they are not, and Oracle challenges that determination on appeal.

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

### A. Copyrightability

The Copyright Act provides protection to “original works of authorship fixed in any tangible medium of expression,” including “literary works.” 17 U.S.C. § 102(a). It is undisputed that computer programs—defined in the Copyright Act as “a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result,” 17 U.S.C. § 101—can be subject to copyright protection as “literary works.”

It is well established that copyright protection can extend to both literal and non-literal elements of a computer program. The literal elements of a computer program are the source code and object code. Courts have defined source code as the spelled-out program commands that humans can read. Object code refers to the binary language comprised of zeros and ones through which the computer directly receives its instructions.

The non-literal components of a computer program include, among other things, the program’s sequence, structure, and organization, as well as the program’s user interface. As discussed below, whether the non-literal elements of a program are protected depends on whether, on the particular facts of each case, the component in question qualifies as an expression of an idea, or an idea itself.

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

In assessing copyrightability, the district court is required to ferret out apparent expressive aspects of a work and then separate protectable expression from unprotectable ideas, facts, processes, and methods of operation. Of course, as with many things, in defining this task, the devil is in the details. Circuit courts have struggled with, and disagree over, the tests to be employed when attempting to draw the line between what is protectable expression and what is not. Compare *Whelan Assocs., Inc. v. Jaslow Dental Lab., Inc.*, 797 F.2d 1222, 1236 (3<sup>rd</sup> Cir. 1986) (everything not necessary to the purpose or function of a work is expression), with *Lotus Development Corp. v. Borland International, Inc.*, 49 F.3d 807, 815 (1<sup>st</sup> Cir. 1995) (methods of

operation are means by which a user operates something and any words used to effectuate that operation are unprotected expression). When assessing whether the non-literal elements of a computer program constitute protectable expression, the Ninth Circuit has endorsed an “abstraction-filtration-comparison” test formulated by the Second Circuit and expressly adopted by several other circuits. *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1525 (9th Cir. 1992) (“In our view, in light of the essentially utilitarian nature of computer programs, the Second Circuit’s approach is an appropriate one.”). This test rejects the notion that anything that performs a function is necessarily uncopyrightable. See *Mitel, Inc. v. Iqtel, Inc.*, 124 F.3d 1366, 1372 (10th Cir. 1997)(rejecting the *Lotus* court’s formulation, and concluding that, “although an element of a work may be characterized as a method of operation, that element may nevertheless contain expression that is eligible for copyright protection.”). And it also rejects as flawed the *Whelan* assumption that, once any separable idea can be identified in a computer program everything else must be protectable expression, on grounds that more than one idea may be embodied in any particular program. *Computer Assoc. Int’l, Inc. v. Altai, Inc.*, 982 F.2d 693, 705-06 (2d Cir. 1992).

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

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

While the trial court mentioned the abstraction-filtration-comparison test when describing the development of relevant law, it did not purport to actually apply that test. Instead, it moved directly to application of familiar principles of copyright law when assessing the copyrightability of the declaring code and interpreted Section 102(b) to preclude copyrightability for any functional element “essential for interoperability” “regardless of its form.”

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

## **1. Declaring Source Code**

The district court specifically found that the declaring code was not entitled to copyright protection under the merger and short phrases doctrines. We address each in turn.

### **a. Merger**

Under the merger doctrine, a court will not protect a copyrighted work from infringement if the idea contained therein can be expressed in only one way. *Satava v. Lowry*, 323 F.3d 805, 812 n. 5 (9th Cir. 2003). For computer programs, this means that when specific parts of the code, even though previously copyrighted, are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement. We have recognized, however, applying Ninth Circuit law, that the “unique arrangement of computer program expression ... does not merge with the process so long as alternate expressions are available.” *Atari Games Corp. v. Nintendo of Am., Inc.*, 975 F.2d 832, 840 (Fed. Cir. 1992).

In *Atari*, for example, Nintendo designed a program—the 10NES—to prevent its video game system from accepting unauthorized game cartridges. Nintendo chose arbitrary programming instructions and arranged them in a unique sequence to create a purely arbitrary data stream which serves as the key to unlock the NES. Because Nintendo produced expert testimony showing a multitude of different ways to generate a data stream which unlocks the NES console, we concluded that Nintendo’s specific choice of code did not merge with the process.

Here, the district court found that, “no matter how creative or imaginative a Java method specification may be, the entire world is entitled to use the same method specification (inputs, outputs, parameters) so long as the line-by-line implementations are different.” Because the district court found that there was only one way to write the declaring code for each of the Java packages, it concluded that “the merger doctrine bars anyone from claiming exclusive copyright ownership” of it. Accordingly, the court held there could be “no copyright violation in using the identical declarations.”

On appeal, Oracle argues that the district court: (1) misapplied the merger doctrine; and (2) failed to focus its analysis on the options available to the original author. We agree with Oracle on both points. First, we agree that merger cannot bar copyright protection for any lines of declaring source code unless Sun/Oracle had only one way, or a limited number of ways, to write them. The evidence showed that Oracle had unlimited options as to the selection and arrangement of the 7000 lines Google copied. Because alternative expressions were available, there is no merger.

We further find that the district court erred in focusing its merger analysis on the options available to Google at the time of copying. It is well-established that copyrightability and the scope of protectable activity are to be evaluated at the time of creation, not at the time of infringement. The focus is, therefore, on the options that were available to Sun/Oracle at the time it created the API packages. As the court acknowledged, nothing prevented Google from writing its own declaring code, along with its own implementing code, to achieve the same result. In such circumstances, the chosen expression simply does not merge with the idea being expressed.

### **b. Short Phrases**

The district court also found that Oracle’s declaring code consists of uncopyrightable short phrases. Specifically, the court concluded that, “while the Android method and class names could have been different from the names of their counterparts in Java and still have worked, copyright protection never extends to names or short phrases as a matter of law.”

The district court is correct that “[w]ords and short phrases such as names, titles, and slogans” are not subject to copyright protection. 37 C.F.R. § 202.1(a). The court failed to recognize, however, that the relevant question for copyrightability purposes is not whether the work at issue contains short phrases—as literary works often do—but, rather, whether those phrases are creative. And, by dissecting the individual lines of declaring code at issue into short phrases, the district court further failed to recognize that an original combination of elements can be copyrightable.

By analogy, the opening of Charles Dickens’ *A Tale of Two Cities* is nothing but a string of short phrases. Yet no one could contend that this portion of Dickens’ work is unworthy of copyright protection because it can be broken into those shorter constituent components. The question is not whether a short phrase or series of short phrases can be extracted from the work, but whether the manner in which they are used or strung together exhibits creativity.

Although the district court apparently focused on individual lines of code, Oracle is not seeking copyright protection for a specific short phrase or word. Instead, the portion of declaring code at issue is 7,000 lines, and Google’s own “Java guru” conceded that there can be “creativity and artistry even in a single method declaration.” Because Oracle exercised creativity in the selection and arrangement of the method declarations when it created the API packages and wrote the relevant declaring code, they contain protectable expression that is entitled to copyright protection. Accordingly, we conclude that the district court erred in applying the short phrases doctrine to find the declaring code not copyrightable.

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

The district court found that the SSO of the Java API packages is creative and original, but nevertheless held that it is a “system or method of operation ... and, therefore, cannot be copyrighted” under 17 U.S.C. § 102(b). In reaching this conclusion, the district court seems to have relied upon language contained in a First Circuit decision: *Lotus Development Corp. v. Borland International, Inc.*, 49 F.3d 807 (1st Cir.1995), *aff’d* without opinion by an equally divided Supreme Court, 516 U.S. 233 (1996).

In *Lotus*, it was undisputed that the defendant copied the menu command hierarchy and interface from Lotus 1-2-3, a computer spreadsheet program that enables users to perform accounting functions electronically on a computer. The menu command hierarchy referred to a series of commands—such as “Copy,” “Print,” and “Quit”—which were arranged into more than 50 menus and submenus. Although the defendant did not copy any Lotus source code, it copied the menu command hierarchy into its rival program. The question before the court was whether a computer menu command hierarchy is copyrightable subject matter.

Although it accepted the district court’s finding that Lotus developers made some expressive choices in selecting and arranging the command terms, the First Circuit found that the command hierarchy was not copyrightable because, among other things, it was a “method of operation” under Section 102(b). In reaching this conclusion, the court defined a “method of operation” as “the means by which a person operates something, whether it be a car, a food processor, or a computer.” Because the Lotus menu command hierarchy provided “the means by which users control and operate Lotus 1-2-3,” it was deemed unprotectable. For example, if users wanted to copy material, they would use the “Copy” command and the command terms would tell the computer what to do. According to the *Lotus* court, the “fact that

Lotus developers could have designed the Lotus menu command hierarchy differently is immaterial to the question of whether it is a ‘method of operation.’ ” The court further indicated that, “[i]f specific words are essential to operating something, then they are part of a ‘method of operation’ and, as such, are unprotectable.”

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

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

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

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

of the idea and hence copyrightable.” Notably, no other circuit has adopted the First Circuit’s “method of operation” analysis.

Courts have likewise found that classifying a work as a “system” does not preclude copyright for the particular expression of that system. See *Toro Co. v. R & R Prods. Co.*, 787 F.2d 1208, 1212 (8th Cir.1986) (rejecting the district court’s decision that “appellant’s parts numbering system is not copyrightable because it is a ‘system’ ” and indicating that Section 102(b) does not preclude protection for the “particular expression” of that system); see also *Am. Dental Ass’n v. Delta Dental Plans Ass’n*, 126 F.3d 977, 980 (7th Cir.1997) (“A dictionary cannot be called a ‘system’ just because new novels are written using words, all of which appear in the dictionary. Nor is word-processing software a ‘system’ just because it has a command structure for producing paragraphs.”).

Here, the district court recognized that the SSO “resembles a taxonomy,” but found that “it is nevertheless a command structure, a system or method of operation—a long hierarchy of over six thousand commands to carry out pre-assigned functions.” In other words, the court concluded that, although the SSO is expressive, it is not copyrightable because it is also functional. The problem with the district court’s approach is that computer programs are by definition functional—they are all designed to accomplish some task. Indeed, the statutory definition of “computer program” acknowledges that they function “to bring about a certain result.” See 17 U.S.C. § 101 (defining a “computer program” as “a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result”). If we were to accept the district court’s suggestion that a computer program is uncopyrightable simply because it “carr[ies] out pre-assigned functions,” no computer program is protectable. That result contradicts Congress’s express intent to provide copyright protection to computer programs, as well as binding Ninth Circuit case law finding computer programs copyrightable, despite their utilitarian or functional purpose. Though the trial court did add the caveat that it “does not hold that the structure, sequence and organization of all computer programs may be stolen,” it is hard to see how its method of operation analysis could lead to any other conclusion.

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

As the district court acknowledged, Google could have structured Android differently and could have chosen different ways to express and implement the functionality that it copied. Given the court’s findings that the SSO is original and creative, and that the declaring code could have been written and organized in any number of ways and still have achieved the same functions, we conclude that Section 102(b) does not bar the packages from copyright protection just because they also perform functions.



## Check Your Understanding – *Oracle*

**Question 1.** What elements of Oracle’s API packages were found to be copyrightable?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-30>

**Question 2.** Which of these tests does the Ninth Circuit endorse in *Oracle v. Google* for assessing the copyrightability of computer programs and drawing a line between what is protectable expression and what is not?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-31>

**Question 3.** Which of the following did the Ninth Circuit hold in *Oracle v. Google*?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-32>

## C. Government Works

Section 105(a) of the Copyright Act (17 U.S.C. § 105(a)) provides:

Copyright protection under this title is not available for any work of the United States Government, but the United States Government is not precluded from receiving and holding copyrights transferred to it by assignment, bequest, or otherwise.

Section 105(a) is an exception to the “work made for hire” doctrine, pursuant to which the “a work prepared by an employee within the scope of his or her employment” is generally treated as a “work made for hire.”<sup>9</sup> The ownership of copyright in a “work made for hire” vests initially with the employer, not with the creator(s).<sup>10</sup> The work made for hire doctrine is addressed later in this casebook.

Although § 105(a) precludes copyright protection for works of the federal government, this prohibition does not prevent the government from holding copyrights that it acquires from others. Furthermore, there is no statutory prohibition against state or local governments holding copyright in their own works. However, as explained in the following decision, the Supreme Court has concluded, pursuant to its government edicts doctrine, that “copyright does not vest in works that are (1) created by judges and legislators (2) in the course of their judicial and legislative duties.”

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Some things to consider when reading *Georgia v. Public.Resource.Org*:

1. The source of the government edicts doctrine. Is it required by statute, or the Constitution?
2. The Court’s application and expansion of the government edicts doctrine in this case.
3. The “work made for hire” doctrine comes up in this case—the contours of this doctrine will be addressed extensively in the next section of this book. Why was it relevant in this case?
4. The practical and policy implications of this decision.

### *Georgia v. Public.Resource.Org, Inc.*

140 S. Ct. 1498 (2020)

Chief Justice ROBERTS delivered the opinion of the Court.

The Copyright Act grants potent, decades-long monopoly protection for “original works of authorship.” 17 U.S.C. § 102(a). The question in this case is whether that protection extends to the annotations contained in Georgia’s official annotated code.

We hold that it does not. Over a century ago, we recognized a limitation on copyright protection for certain government work product, rooted in the Copyright Act’s “authorship” requirement. Under what has been dubbed the government edicts doctrine, officials empowered to speak with the force of law cannot be the authors of—and therefore cannot copyright—the works they create in the course of their official duties.

We have previously applied that doctrine to hold that non-binding, explanatory legal materials are not copyrightable when created by judges who possess the authority to make and interpret the law. See *Banks v. Manchester*, 128 U.S. 244 (1888). We now recognize that the same logic applies to non-binding, explanatory legal materials created by a legislative body vested with the authority to make law. Because Georgia’s annotations are authored by an arm of the legislature in the course of its legislative duties, the government edicts doctrine puts them outside the reach of copyright protection.

## I

### A

The State of Georgia has one official code—the “Official Code of Georgia Annotated,” or OCGA. The first page

of each volume of the OCGA boasts the State's official seal and announces to readers that it is "Published Under Authority of the State."

The OCGA includes the text of every Georgia statute currently in force, as well as various non-binding supplementary materials. At issue in this case is a set of annotations that appear beneath each statutory provision. The annotations generally include summaries of judicial decisions applying a given provision, summaries of any pertinent opinions of the state attorney general, and a list of related law review articles and similar reference materials. In addition, the annotations often include editor's notes that provide information about the origins of the statutory text, such as whether it derives from a particular judicial decision or resembles an older provision that has been construed by Georgia courts.

The OCGA is assembled by a state entity called the Code Revision Commission. In 1977, the Georgia Legislature established the Commission to recodify Georgia law for the first time in decades. The Commission was (and remains) tasked with consolidating disparate bills into a single Code for reenactment by the legislature and contracting with a third party to produce the annotations. A majority of the Commission's 15 members must be members of the Georgia Senate or House of Representatives. The Commission receives funding through appropriations "provided for the legislative branch of state government." And it is staffed by the Office of Legislative Counsel, which is obligated by statute to provide services "for the legislative branch of government." Under the Georgia Constitution, the Commission's role in compiling the statutory text and accompanying annotations falls "within the sphere of legislative authority." *Harrison Co. v. Code Revision Comm'n*, 244 Ga. 325 (1979).

Each year, the Commission submits its proposed statutory text and accompanying annotations to the legislature for approval. The legislature then votes to do three things: (1) "enact[ ]" the "statutory portion of the codification of Georgia laws"; (2) "merge[ ]" the statutory portion "with [the] annotations"; and (3) "publish[ ]" the final merged product "by authority of the state" as "the 'Official Code of Georgia Annotated.'"

The annotations in the current OCGA were prepared in the first instance by Matthew Bender & Co., Inc., a division of the LexisNexis Group, pursuant to a work-for-hire agreement with the Commission. The agreement between Lexis and the Commission states that any copyright in the OCGA vests exclusively in "the State of Georgia, acting through the Commission." Lexis and its army of researchers perform the lion's share of the work in drafting the annotations, but the Commission supervises that work and specifies what the annotations must include in exacting detail. Under the agreement, Lexis enjoys the exclusive right to publish, distribute, and sell the OCGA. In exchange, Lexis has agreed to limit the price it may charge for the OCGA and to make an unannotated version of the statutory text available to the public online for free. A hard copy of the complete OCGA currently retails for \$412.00.

## B

Public.Resource.Org (PRO) is a nonprofit organization that aims to facilitate public access to government records and legal materials. Without permission, PRO posted a digital version of the OCGA on various websites, where it could be downloaded by the public without charge. PRO also distributed copies of the OCGA to various organizations and Georgia officials.

In response, the Commission sent PRO several cease-and-desist letters asserting that PRO's actions constituted unlawful copyright infringement. When PRO refused to halt its distribution activities, the

Commission sued PRO on behalf of the Georgia Legislature and the State of Georgia for copyright infringement. The Commission limited its assertion of copyright to the annotations described above; it did not claim copyright in the statutory text or numbering. PRO counterclaimed, seeking a declaratory judgment that the entire OCGA, including the annotations, fell in the public domain.

The District Court sided with the Commission[.]

The Eleventh Circuit reversed[.]

We granted certiorari.

## II

We hold that the annotations in Georgia’s Official Code are ineligible for copyright protection, though for reasons distinct from those relied on by the Court of Appeals. A careful examination of our government edicts precedents reveals a straightforward rule based on the identity of the author. Under the government edicts doctrine, judges—and, we now confirm, legislators—may not be considered the “authors” of the works they produce in the course of their official duties as judges and legislators. That rule applies regardless of whether a given material carries the force of law. And it applies to the annotations here because they are authored by an arm of the legislature in the course of its official duties.

## A

We begin with precedent. The government edicts doctrine traces back to a trio of cases decided in the 19th century. In this Court’s first copyright case, *Wheaton v. Peters*, 8 Pet. 591, 8 L.Ed. 1055 (1834), the Court’s third Reporter of Decisions, Wheaton, sued the fourth, Peters, unsuccessfully asserting a copyright interest in the Justices’ opinions. In Wheaton’s view, the opinions “must have belonged to some one” because “they were new, original,” and much more “elaborate” than law or custom required. Wheaton argued that the Justices were the authors and had assigned their ownership interests to him through a tacit “gift.” The Court unanimously rejected that argument, concluding that “no reporter has or can have any copyright in the written opinions delivered by this court” and that “the judges thereof cannot confer on any reporter any such right.”

That conclusion apparently seemed too obvious to adorn with further explanation, but the Court provided one a half century later in *Banks v. Manchester*, 128 U.S. 244 (1888). That case concerned whether Wheaton’s state-court counterpart, the official reporter of the Ohio Supreme Court, held a copyright in the judges’ opinions and several non-binding explanatory materials prepared by the judges. The Court concluded that he did not, explaining that “the judge who, in his judicial capacity, prepares the opinion or decision, the statement of the case and the syllabus or head note” cannot “be regarded as their author or their proprietor, in the sense of [the Copyright Act].” Pursuant to “a judicial consensus” dating back to *Wheaton*, judges could not assert copyright in “whatever work they perform in their capacity as judges.” Rather, “the whole work done by the judges constitutes the authentic exposition and interpretation of the law, which, binding every citizen, is free for publication to all.”

In a companion case decided later that Term, *Callaghan v. Myers*, 128 U.S. 617 (1888), the Court identified an important limiting principle. As in *Wheaton* and *Banks*, the Court rejected the claim that an official

reporter held a copyright interest in the judges' opinions. But, resolving an issue not addressed in *Wheaton* and *Banks*, the Court upheld the reporter's copyright interest in several explanatory materials that the reporter had created himself: headnotes, syllabi, tables of contents, and the like. Although these works mirrored the judge-made materials rejected in *Banks*, they came from an author who had no authority to speak with the force of law. Because the reporter was not a judge, he was free to "obtain a copyright" for the materials that were "the result of his own intellectual labor."

These cases establish a straightforward rule: Because judges are vested with the authority to make and interpret the law, they cannot be the "author" of the works they prepare "in the discharge of their judicial duties." This rule applies both to binding works (such as opinions) and to non-binding works (such as headnotes and syllabi). It does not apply, however, to works created by government officials (or private parties) who lack the authority to make or interpret the law, such as court reporters.

The animating principle behind this rule is that no one can own the law. Every citizen is presumed to know the law, and "it needs no argument to show ... that all should have free access" to its contents. Our cases give effect to that principle in the copyright context through construction of the statutory term "author." Rather than attempting to catalog the materials that constitute "the law," the doctrine bars the officials responsible for creating the law from being considered the "author[s]" of "*whatever work* they perform in their capacity" as lawmakers. Because these officials are generally empowered to make and interpret law, their "whole work" is deemed part of the "authentic exposition and interpretation of the law" and must be "free for publication to all."

If judges, acting as judges, cannot be "authors" because of their authority to make and interpret the law, it follows that legislators, acting as legislators, cannot be either. Courts have thus long understood the government edicts doctrine to apply to legislative materials. See, e.g., *Nash*, 142 Mass. at 35 (judicial opinions and statutes stand "on substantially the same footing" for purposes of the government edicts doctrine); *Howell v. Miller*, 91 F. 129, 130–131, 137–138 (CA6 1898) (Harlan, J., Circuit Justice, joined by then-Circuit Judge Taft) (analyzing statutes and supplementary materials under *Banks* and *Callaghan* and concluding that the materials were copyrightable because they were prepared by a private compiler).

Moreover, just as the doctrine applies to "whatever work [judges] perform in their capacity as judges," *Banks*, 128 U.S., at 253, it applies to whatever work legislators perform in their capacity as legislators. That of course includes final legislation, but it also includes explanatory and procedural materials legislators create in the discharge of their legislative duties. In the same way that judges cannot be the authors of their headnotes and syllabi, legislators cannot be the authors of (for example) their floor statements, committee reports, and proposed bills. These materials are part of the "whole work done by [legislators]," so they must be "free for publication to all."

Under our precedents, therefore, copyright does not vest in works that are (1) created by judges and legislators (2) in the course of their judicial and legislative duties.

## **B**

### **1**

Applying that framework, Georgia's annotations are not copyrightable. The first step is to examine whether their purported author qualifies as a legislator.

As we have explained, the annotations were prepared in the first instance by a private company (Lexis) pursuant to a work-for-hire agreement with Georgia's Code Revision Commission. The Copyright Act therefore deems the Commission the sole "author" of the work. 17 U.S.C. § 201(b). Although Lexis expends considerable effort preparing the annotations, for purposes of copyright that labor redounds to the Commission as the statutory author. Georgia agrees that the author is the Commission.

The Commission is not identical to the Georgia Legislature, but functions as an arm of it for the purpose of producing the annotations. The Commission is created by the legislature, for the legislature, and consists largely of legislators. The Commission receives funding and staff designated by law for the legislative branch. Significantly, the annotations the Commission creates are approved by the legislature before being "merged" with the statutory text and published in the official code alongside that text at the legislature's direction.

## 2

The second step is to determine whether the Commission creates the annotations in the "discharge" of its legislative "duties." *Banks*, 128 U.S. at 253. It does. Although the annotations are not enacted into law through bicameralism and presentment, the Commission's preparation of the annotations is under Georgia law an act of "legislative authority," and the annotations provide commentary and resources that the legislature has deemed relevant to understanding its laws. Georgia and Justice GINSBURG emphasize that the annotations do not purport to provide authoritative explanations of the law and largely summarize other materials, such as judicial decisions and law review articles. But that does not take them outside the exercise of legislative duty by the Commission and legislature. Just as we have held that the "statement of the case and the syllabus or head note" prepared by judges fall within the "work they perform in their capacity as judges," so too annotations published by legislators alongside the statutory text fall within the work legislators perform in their capacity as legislators.

In light of the Commission's role as an adjunct to the legislature and the fact that the Commission authors the annotations in the course of its legislative responsibilities, the annotations in Georgia's Official Code fall within the government edicts doctrine and are not copyrightable.

## III

Georgia appeals to the overall purpose of the Copyright Act to promote the creation and dissemination of creative works. Georgia submits that, without copyright protection, Georgia and many other States will be unable to induce private parties like Lexis to assist in preparing affordable annotated codes for widespread distribution. That appeal to copyright policy, however, is addressed to the wrong forum. As Georgia acknowledges, "[I]t is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause's objectives." *Eldred v. Ashcroft*, 537 U.S. 186, 212 (2003). And that principle requires adherence to precedent when, as here, we have construed the statutory text and "tossed [the ball] into Congress's court, for acceptance or not as that branch elects." *Kimble*, 576 U.S. at 456.

Turning to our government edicts precedents, Georgia insists that they can and should be read to focus

exclusively on whether a particular work has “the force of law.” Justice THOMAS appears to endorse the same view. But that framing has multiple flaws.

Most obviously, it cannot be squared with the reasoning or results of our cases—especially *Banks*. *Banks*, following *Wheaton* and the “judicial consensus” it inspired, denied copyright protection to judicial opinions without excepting concurrences and dissents that carry no legal force. As every judge learns the hard way, “comments in [a] dissenting opinion” about legal principles and precedents “are just that: comments in a dissenting opinion.” *Railroad Retirement Bd. v. Fritz*, 449 U.S. 166, 177, n. 10 (1980). Yet such comments are covered by the government edicts doctrine because they come from an official with authority to make and interpret the law.

Indeed, *Banks* went even further and withheld copyright protection from headnotes and syllabi produced by judges. Surely these supplementary materials do not have the force of law, yet they are covered by the doctrine. The simplest explanation is the one *Banks* provided: These non-binding works are not copyrightable because of who creates them—judges acting in their judicial capacity.

The same goes for non-binding legislative materials produced by legislative bodies acting in a legislative capacity. There is a broad array of such works ranging from floor statements to proposed bills to committee reports. Under the logic of Georgia’s “force of law” test, States would own such materials and could charge the public for access to them.

Georgia minimizes the OCGA annotations as non-binding and non-authoritative, but that description undersells their practical significance. Imagine a Georgia citizen interested in learning his legal rights and duties. If he reads the economy-class version of the Georgia Code available online, he will see laws requiring political candidates to pay hefty qualification fees (with no indigency exception), criminalizing broad categories of consensual sexual conduct, and exempting certain key evidence in criminal trials from standard evidentiary limitations—with no hint that important aspects of those laws have been held unconstitutional by the Georgia Supreme Court. See OCGA §§ 21-2-131, 16-6-2, 16-6-18, 16-15-9 (available at [www.legis.ga.gov](http://www.legis.ga.gov)). Meanwhile, first-class readers with access to the annotations will be assured that these laws are, in crucial respects, unenforceable relics that the legislature has not bothered to narrow or repeal. See §§ 21-2-131, 16-6-2, 16-6-18, 16-15-9 (available at <https://store.lexisnexis.com/products/official-code-of-georgia-annotated-skuSKU6647> for \$412.00).

If everything short of statutes and opinions were copyrightable, then States would be free to offer a whole range of premium legal works for those who can afford the extra benefit. A State could monetize its entire suite of legislative history. With today’s digital tools, States might even launch a subscription or pay-per-law service.

There is no need to assume inventive or nefarious behavior for these concerns to become a reality. Unlike other forms of intellectual property, copyright protection is both instant and automatic. It vests as soon as a work is captured in a tangible form, triggering a panoply of exclusive rights that can last over a century. 17 U.S.C. §§ 102, 106, 302. If Georgia were correct, then unless a State took the affirmative step of transferring its copyrights to the public domain, all of its judges’ and legislators’ non-binding legal works would be copyrighted. And citizens, attorneys, nonprofits, and private research companies would have to cease all copying, distribution, and display of those works or risk severe and potentially criminal penalties.

§§ 501–506. Some affected parties might be willing to roll the dice with a potential fair use defense. But that defense, designed to accommodate First Amendment concerns, is notoriously fact sensitive and often cannot be resolved without a trial. Cf. *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539, 552, 560–561 (1985). The less bold among us would have to think twice before using official legal works that illuminate the law we are all presumed to know and understand.

Thankfully, there is a clear path forward that avoids these concerns—the one we are already on. Instead of examining whether given material carries “the force of law,” we ask only whether the author of the work is a judge or a legislator. If so, then whatever work that judge or legislator produces in the course of his judicial or legislative duties is not copyrightable. That is the framework our precedents long ago established, and we adhere to those precedents today.

\* \* \*

For the foregoing reasons, we affirm the judgment of the Eleventh Circuit.

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## Check Your Understanding – *Georgia v. PublicResource.org*

**Question 1.** Which of these does the Court identify as the legal basis for the government edicts doctrine?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-45>

**Question 2.** What are the steps in determining whether the government edicts doctrine applies to a work?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-46>

**Question 3.** True or false: Although under the government edicts doctrine judges cannot copyright materials explaining, summarizing, or commenting on a judicial decision, a non-judge court reporter can.



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-47>



## D. The Useful Article Doctrine

The useful article doctrine imposes another important limitation on the scope of copyrightable subject matter. The doctrine only applies to works that, if copyrightable, would fall within the “pictorial, graphic, and sculptural works” (i.e., “PGS works”) category enumerated in § 102(a). PGS works are defined in § 101 of the Act as “includ[ing] two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans.”

The statutory basis for the useful article doctrine can be found in § 101’s definition of PGS works, which goes on to state that “[s]uch works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”

The useful article comes into play when the creator of a useful article of manufacture, such as a belt buckle,<sup>11</sup> mannequin,<sup>12</sup> bicycle rack,<sup>13</sup> or furniture,<sup>14</sup> seeks copyright protection for the article of manufacture as a PGS work, based on the alleged original aesthetic expression embodied in the item. As stated in the § 101 definition, the design of a useful article can be copyrighted as a PGS work, but only if, and only to the extent that, the PGS features can be identified separately from, and are capable of existing independently of, the article’s utilitarian aspects.

The key concept in assessing the copyrightability of a useful article as a PGS work is separability—can the copyrightable, non-utilitarian attributes of the article be separated from its utilitarian attributes? If so, those non-utilitarian attributes can be copyrighted, but not the utilitarian attributes. If non-utilitarian and utilitarian attributes cannot be identified separately, then copyright protection for the article is precluded absolutely. This is the essence of the useful article doctrine.

In 1954, the Supreme Court addressed the question of whether the expressive attributes of a utilitarian article can be copyrighted in the following case. Note that the applicable copyright statute at the time specifically identified “works of art” and “reproductions of a work of art” as copyrightable subject matter—these categories of copyrightable subject matter are not mentioned in the 1976 Act.

Some things to consider when reading *Mazer*:

1. The Court’s rationale for rejecting the defendant’s argument that an otherwise copyrightable sculpture is rendered uncopyrightable when the sculpture is intended for use as a component of a useful article (in this case the base of a lamp).
2. The Court’s discussion of the relationship between design patents and copyright. Design patents basically provide intellectual property rights for the ornamental, nonfunctional design of a product.
3. The Court’s review of how the definition of copyrightable subject matter under the Copyright Acts has evolved over time.

4. The significance the Court attributes to the Copyright Office's interpretation of the statute.
5. The Court's reference to the utilitarian justification for copyright.
6. Whether you see any parallels between some of the statements made in *Mazer* with those made in *Burrow-Giles* and *Bleistein*.

### *Mazer v. Stein*

347 U.S. 201 (1954)

REED, Justice.

This case involves the validity of copyrights obtained by respondents for statuettes of male and female dancing figures made of semivitreous china. The controversy centers around the fact that although copyrighted as “works of art,” the statuettes were intended for use and used as bases for table lamps, with electric wiring, sockets and lamp shades attached.



Petitioners in their petition for certiorari present a single question:

Can statuettes be protected in the United States by copyright when the copyright applicant intended primarily to use the statuettes in the form of lamp bases to be made and sold in quantity and carried the intentions into effect?

Stripped down to its essentials, the question presented is: Can a lamp manufacturer copyright his lamp bases?

The first paragraph accurately summarizes the issue. The last gives it a quirk that unjustifiably, we think, broadens the controversy. The case requires an answer, not as to a manufacturer's right to register a lamp base but as to an artist's right to copyright a work of art intended to be reproduced for lamp bases. As petitioners say in their brief, their contention "questions the validity of the copyright based upon the actions of respondents." Petitioners question the validity of a copyright of a work of art for "mass" production. Their position is that a copyright does not cover industrial reproduction of the protected article.

[A] review of the development of copyright coverage will make clear the purpose of the Congress in its copyright legislation. In 1790 the First Congress conferred a copyright on 'authors of any map, chart, book or books already printed'. Later, designing, engraving and etching were included; in 1831 musical composition; dramatic compositions in 1856; and photographs and negatives thereof in 1865.

The Act of 1870 defined copyrightable subject matter as:

\* \* \* any book, map, chart, dramatic or musical composition, engraving, cut, print, or photograph or negative thereof, or of a painting, drawing, chromo, *statute, statuary, and of models or designs intended to be perfected as works of the fine arts.* (Emphasis supplied.)<sup>13</sup>

The italicized part added three-dimensional work of art to what had been protected previously. In 1909 Congress again enlarged the scope of the copyright statute. The new Act provided in s 4:

That the works for which copyright may be secured under this Act shall include all the writings of an author.

Some writers interpret this section as being coextensive with the constitutional grant, but the House Report, while inconclusive, indicates that it was "declaratory of existing law" only. Significant for our purposes was the deletion of the fine-arts clause of the 1870 Act. Verbal distinctions between purely aesthetic articles and useful works of art ended insofar as the statutory copyright language is concerned.

The practice of the Copyright Office, under the 1870 and 1874 Acts and before the 1909 Act, was to allow registration "as works of the fine arts" of articles of the same character as those of respondents now under challenge. The current pertinent regulation reads:

Works of art (Class G)—(a)—In General. This class includes works of artistic craftsmanship, in so far as their form but not their mechanical or utilitarian aspects are concerned, such as artistic jewelry, enamels, glassware, and tapestries, as well as all works belonging to the fine arts, such as paintings, drawings and sculpture.

So we have a contemporaneous and long-continued construction of the statutes by the agency charged to administer them that would allow the registration of such a statuette as is in question here.

The successive acts, the legislative history of the 1909 Act and the practice of the Copyright Office unite to show that "works of art" and "reproductions of works of art" are terms that were intended by Congress to include the authority to copyright these statuettes. Individual perception of the beautiful is too varied a power to permit a narrow or rigid concept of art.

But petitioners assert that congressional enactment of the design patent laws should be interpreted as denying protection to artistic articles embodied or reproduced in manufactured articles.

As petitioner sees the effect of the design patent law:

If an industrial designer cannot satisfy the novelty requirements of the design patent laws, then his design as used on articles of manufacture can be copied by anyone.

Petitioner has furnished the Court a booklet of numerous design patents for statuettes, bases for table lamps and similar articles for manufacture, quite indistinguishable in type from the copyrighted statuettes here in issue. Petitioner urges that overlapping of patent and copyright legislation so as to give an author or inventor a choice between patents and copyrights should not be permitted. We assume petitioner takes the position that protection for a statuette for industrial use can only be obtained by patent, if any protection can be given.

As we have held the statuettes here involved copyrightable, we need not decide the question of their patentability. Though other courts have passed upon the issue as to whether allowance by the election of the author or patentee of one bars a grant of the other, we do not. We do hold that the patentability of the statuettes, fitted as lamps or unfitted, does not bar copyright as works of art. Neither the Copyright Statute nor any other says that because a thing is patentable it may not be copyrighted. We should not so hold.

Unlike a patent, a copyright gives no exclusive right to the art disclosed; protection is given only to the expression of the idea—not the idea itself. Thus, in *Baker v. Selden*, 101 U.S. 99, the Court held that a copyrighted book on a peculiar system of bookkeeping was not infringed by a similar book using a similar plan which achieved similar results where the alleged infringer made a different arrangement of the columns and used different headings. The copyright protects originality rather than novelty or invention—conferring only the sole right of multiplying copies. Absent copying there can be no infringement of copyright. Thus, respondents may not exclude others from using statuettes of human figures in table lamps; they may only prevent use of copies of their statuettes as such or as incorporated in some other article. The dichotomy of protection for the aesthetic is not beauty and utility but art for the copyright and the invention of original and ornamental design for design patents. We find nothing in the copyright statute to support the argument that the intended use or use in industry of an article eligible for copyright bars or invalidates its registration. We do not read such a limitation into the copyright law.

The copyright law, like the patent statutes, makes reward to the owner a secondary consideration. However, it is intended definitely to grant valuable, enforceable rights to authors, publishers, etc., without burdensome requirements; to afford greater encouragement to the production of literary (or artistic) works of lasting benefit to the world.

The economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in “Science and useful Arts.” Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered.

Affirmed.

**DOUGLAS, Justice, concurring (in which Justice BLACK joins).**

An important constitutional question underlies this case—a question which was stirred on oral argument but not treated in the briefs. It is whether these statuettes of dancing figures may be copyrighted.

...

The interests involved in the category of ‘works of art,’ as used in the copyright law, are considerable. The Copyright Office has supplied us with a long list of such articles which have been copyrighted—statuettes, book ends, clocks, lamps, door knockers, candlesticks, inkstands, chandeliers, piggy banks, sundials, salt and pepper shakers, fish bowls, casseroles, and ash trays. Perhaps these are all ‘writings’ in the constitutional sense. But to me, at least, they are not obviously so. It is time that we came to the problem full face. I would accordingly put the case down for reargument.

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After *Mazer* the lower courts struggled in applying the useful article doctrine, with the various circuits (and even individual judges) coming up with a variety of different tests for assessing whether the alleged expressive elements of a useful article were sufficiently separable from the utilitarian attributes of the article to qualify for copyright protection. The following case, *Brandir*, discusses a number of approaches that courts have taken in applying the useful article doctrine. It is important to note at the outset that the majority’s decision in *Brandir* was effectively overturned by the Supreme Court’s 2017 *Star Athletica* decision, which appears in this casebook immediately after *Brandir*. Nonetheless, this author believes that it is worth reading the decision because of its discussion and critique of various approaches for assessing the key question of separability, including a disagreement between the majority and dissenting judge. The subject matter of the dispute, often referred to as a ribbon bike rack, presents a particularly close case that undeniably straddles the line between “copyrightable works of applied art and uncopied works of industrial design.”

## Check Your Understanding – *Mazer*

**Question 1.** True or False: It is possible to obtain both patent and copyright protection for a single item.



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-33>

Some things to consider when reading *Brandir*:

1. The various tests for conceptual separability described and critiqued by the court.

2. The majority's rationale for adopting the test that it chooses to use in this case to assess separability.
3. The reason why the majority concluded that the bike rack at issue was uncopyrightable.
4. Whether the outcome might have been different if Brandir had merely adopted one of his original sculptures as a bicycle rack, without modifying it in order to address functional concerns.
5. Why the dissent rejects the majority's approach, and what approach the dissent endorses.

*Brandir Int'l, Inc. v. Cascade Pac. Lumber Co.*

834 F.2d 1142 (2d Cir. 1987)

OAKES, Circuit Judge:

In passing the Copyright Act of 1976 Congress attempted to distinguish between protectable “works of applied art” and “industrial designs not subject to copyright protection.” The courts, however, have had difficulty framing tests by which the fine line establishing what is and what is not copyrightable can be drawn. Once again we are called upon to draw such a line, this time in a case involving the “RIBBON Rack,” a bicycle rack made of bent tubing that is said to have originated from a wire sculpture. (A photograph of the rack is contained in the appendix to this opinion.) We are also called upon to determine whether there is any trademark protection available to the manufacturer of the bicycle rack, appellant Brandir International, Inc. The Register of Copyright, named as a third-party defendant under the statute, 17 U.S.C. § 411, but electing not to appear, denied copyrightability. In the subsequent suit brought in the United States District Court for the Southern District of New York, Charles S. Haight, Jr., Judge, the district court granted summary judgment on both the copyright and trademark claims to defendant Cascade Pacific Lumber Co., d/b/a Columbia Cascade Co., manufacturer of a similar bicycle rack. We affirm as to the copyright claim, but reverse and remand as to the trademark claim.

Against the history of copyright protection well set out in the majority opinion in *Carol Barnhart Inc. v. Economy Cover Corp.*, 773 F.2d 411, 415–18 (2d Cir.1985), and in Denicola, *Applied Art and Industrial Design: A Suggested Approach to Copyright in Useful Articles*, 67 Minn.L.Rev. 707, 709–17 (1983), Congress adopted the Copyright Act of 1976. The “works of art” classification of the Copyright Act of 1909 was omitted and replaced by reference to “pictorial, graphic, and sculptural works,” 17 U.S.C. § 102(a)(5). According to the House Report, the new category was intended to supply “as clear a line as possible between copyrightable works of applied art and uncopyrighted works of industrial design.” The statutory definition of “pictorial, graphic, and sculptural works” states that “the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.” 17 U.S.C. § 101. The legislative history added gloss on the criteria of separate identity and independent existence in saying:

On the other hand, although the shape of an industrial product may be aesthetically satisfying and valuable, the Committee's intention is not to offer it copyright protection under the bill. Unless the shape of an automobile, airplane, ladies' dress, food processor, television set, or any other industrial

product contains some element that, physically or conceptually, can be identified as separable from the utilitarian aspects of that article, the design would not be copyrighted under the bill.

In *Kieselstein–Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989, 993 (2d Cir.1980), this court accepted the idea that copyrightability can adhere in the “conceptual” separation of an artistic element. Indeed, the court went on to find such conceptual separation in reference to ornate belt buckles that could be and were worn separately as jewelry.

In *Carol Barnhart Inc. v. Economy Cover Corp.*, 773 F.2d 411 (2d Cir.1985), a divided panel of this circuit affirmed a district court grant of summary judgment of noncopyrightability of four life-sized, anatomically correct human torso forms. *Carol Barnhart* distinguished *Kieselstein–Cord*, but it surely did not overrule it. The distinction made was that the ornamented surfaces of the *Kieselstein–Cord* belt buckles “were not in any respect required by their utilitarian functions,” but the features claimed to be aesthetic or artistic in the *Carol Barnhart* forms were “inextricably intertwined with the utilitarian feature, the display of clothes.”

“Conceptual separability” is thus alive and well, at least in this circuit. The problem, however, is determining exactly what it is and how it is to be applied. Judge Newman’s illuminating discussion in dissent in *Carol Barnhart*, see 773 F.2d at 419–24, proposed a test that aesthetic features are conceptually separable if “the article ... stimulate[s] in the mind of the beholder a concept that is separate from the concept evoked by its utilitarian function.” This approach has received favorable endorsement by at least one commentator, W. Patry, *Latman’s The Copyright Law* 43–45 (6th ed. 1986), who calls Judge Newman’s test the “temporal displacement” test. It is to be distinguished from other possible ways in which conceptual separability can be tested, including whether the primary use is as a utilitarian article as opposed to an artistic work, whether the aesthetic aspects of the work can be said to be “primary,” and whether the article is marketable as art, none of which is very satisfactory. But Judge Newman’s test was rejected outright by the majority as “a standard so ethereal as to amount to a ‘nontest’ that would be extremely difficult, if not impossible, to administer or apply.”

Perhaps the differences between the majority and the dissent in *Carol Barnhart* might have been resolved had they had before them the Denicola article on *Applied Art and Industrial Design: A Suggested Approach to Copyright in Useful Articles*. There, Professor Denicola points out that although the Copyright Act of 1976 was an effort “‘to draw as clear a line as possible,’” in truth “there is no line, but merely a spectrum of forms and shapes responsive in varying degrees to utilitarian concerns.” Denicola argues that “the statutory directive requires a distinction between works of industrial design and works whose origins lie outside the design process, despite the utilitarian environment in which they appear.” He views the statutory limitation of copyrightability as “an attempt to identify elements whose form and appearance reflect the unconstrained perspective of the artist,” such features not being the product of industrial design. “Copyrightability, therefore, should turn on the relationship between the proffered work and the process of industrial design.” He suggests that “the dominant characteristic of industrial design is the influence of nonaesthetic, utilitarian concerns” and hence concludes that copyrightability “ultimately should depend on the extent to which the work reflects artistic expression uninhibited by functional considerations.” To state the Denicola test in the language of conceptual separability, if design elements reflect a merger of aesthetic and functional considerations, the artistic aspects of a work cannot be said to be conceptually separable from the utilitarian elements. Conversely, where design elements can be identified as reflecting

the designer's artistic judgment exercised independently of functional influences, conceptual separability exists.

We believe that Professor Denicola's approach provides the best test for conceptual separability and, accordingly, adopt it here for several reasons. First, the approach is consistent with the holdings of our previous cases. In *Kieselstein-Cord*, for example, the artistic aspects of the belt buckles reflected purely aesthetic choices, independent of the buckles' function, while in *Carol Barnhart* the distinctive features of the torsos—the accurate anatomical design and the sculpted shirts and collars—showed clearly the influence of functional concerns. Though the torsos bore artistic features, it was evident that the designer incorporated those features to further the usefulness of the torsos as mannequins. Second, the test's emphasis on the influence of utilitarian concerns in the design process may help, as Denicola notes, to “alleviate the de facto discrimination against nonrepresentational art that has regrettably accompanied much of the current analysis.” Finally, and perhaps most importantly, we think Denicola's test will not be too difficult to administer in practice. The work itself will continue to give “mute testimony” of its origins. In addition, the parties will be required to present evidence relating to the design process and the nature of the work, with the trier of fact making the determination whether the aesthetic design elements are significantly influenced by functional considerations.

Turning now to the facts of this case, we note first that Brandir contends, and its chief owner David Levine testified, that the original design of the RIBBON Rack stemmed from wire sculptures that Levine had created, each formed from one continuous undulating piece of wire. These sculptures were, he said, created and displayed in his home as a means of personal expression, but apparently were never sold or displayed elsewhere. He also created a wire sculpture in the shape of a bicycle and states that he did not give any thought to the utilitarian application of any of his sculptures until he accidentally juxtaposed the bicycle sculpture with one of the self-standing wire sculptures. It was not until November 1978 that Levine seriously began pursuing the utilitarian application of his sculptures, when a friend, G. Duff Bailey, a bicycle buff and author of numerous articles about urban cycling, was at Levine's home and informed him that the sculptures would make excellent bicycle racks, permitting bicycles to be parked under the overloops as well as on top of the underloops. Following this meeting, Levine met several times with Bailey and others, completing the designs for the RIBBON Rack by the use of a vacuum cleaner hose, and submitting his drawings to a fabricator complete with dimensions. The Brandir RIBBON Rack began being nationally advertised and promoted for sale in September 1979.

In November 1982 Levine discovered that another company, Cascade Pacific Lumber Co., was selling a similar product. Thereafter, beginning in December 1982, a copyright notice was placed on all RIBBON Racks before shipment and on December 10, 1982, five copyright applications for registration were submitted to the Copyright Office. The Copyright Office refused registration by letter, stating that the RIBBON Rack did not contain any element that was “capable of independent existence as a copyrightable pictorial, graphic or sculptural work apart from the shape of the useful article.” An appeal to the Copyright Office was denied by letter dated March 23, 1983, refusing registration on the above ground and alternatively on the ground that the design lacked originality, consisting of “nothing more than a familiar public domain symbol.” In February 1984, after the denial of the second appeal of the examiner's decision, Brandir sent letters to customers enclosing copyright notices to be placed on racks sold prior to December 1982.

Between September 1979 and August 1982 Brandir spent some \$38,500 for advertising and promoting



the RIBBON Rack, including some 85,000 pieces of promotional literature to architects and landscape architects. Additionally, since October 1982 Brandir has spent some \$66,000, including full-, half-, and quarter-page advertisements in architectural magazines such as *Landscape Architecture*, *Progressive Architecture*, and *Architectural Record*, indeed winning an advertising award from *Progressive Architecture* in January 1983. The RIBBON Rack has been featured in *Popular Science*, *Art and Architecture*, and *Design* 384 magazines, and it won an Industrial Designers Society of America design award in the spring of 1980. In the spring of 1984 the RIBBON Rack was selected from 200 designs to be included among 77 of the designs exhibited at the Katonah Gallery in an exhibition entitled “The Product of Design: An Exploration of the Industrial Design Process,” an exhibition that was written up in the *New York Times*.

Sales of the RIBBON Rack from September 1979 through January 1985 were in excess of \$1,367,000. Prior to the time Cascade Pacific began offering for sale its bicycle rack in August 1982, Brandir’s sales were \$436,000. The price of the RIBBON Rack ranges from \$395 up to \$2,025 for a stainless steel model and generally depends on the size of the rack, one of the most popular being the RB-7, selling for \$485.

Applying Professor Denicola’s test to the RIBBON Rack, we find that the rack is not copyrightable. It seems clear that the form of the rack is influenced in significant measure by utilitarian concerns and thus any aesthetic elements cannot be said to be conceptually separable from the utilitarian elements. This is true even though the sculptures which inspired the RIBBON Rack may well have been—the issue of originality aside—copyrightable.

Brandir argues correctly that a copyrighted work of art does not lose its protected status merely because it subsequently is put to a functional use. The Supreme Court so held in *Mazer v. Stein*, 347 U.S. 201 (1954), and Congress specifically intended to accept and codify *Mazer* in section 101 of the Copyright Act of 1976. The district court thus erred in ruling that, whatever the RIBBON Rack’s origins, Brandir’s commercialization of the rack disposed of the issue of its copyrightability.

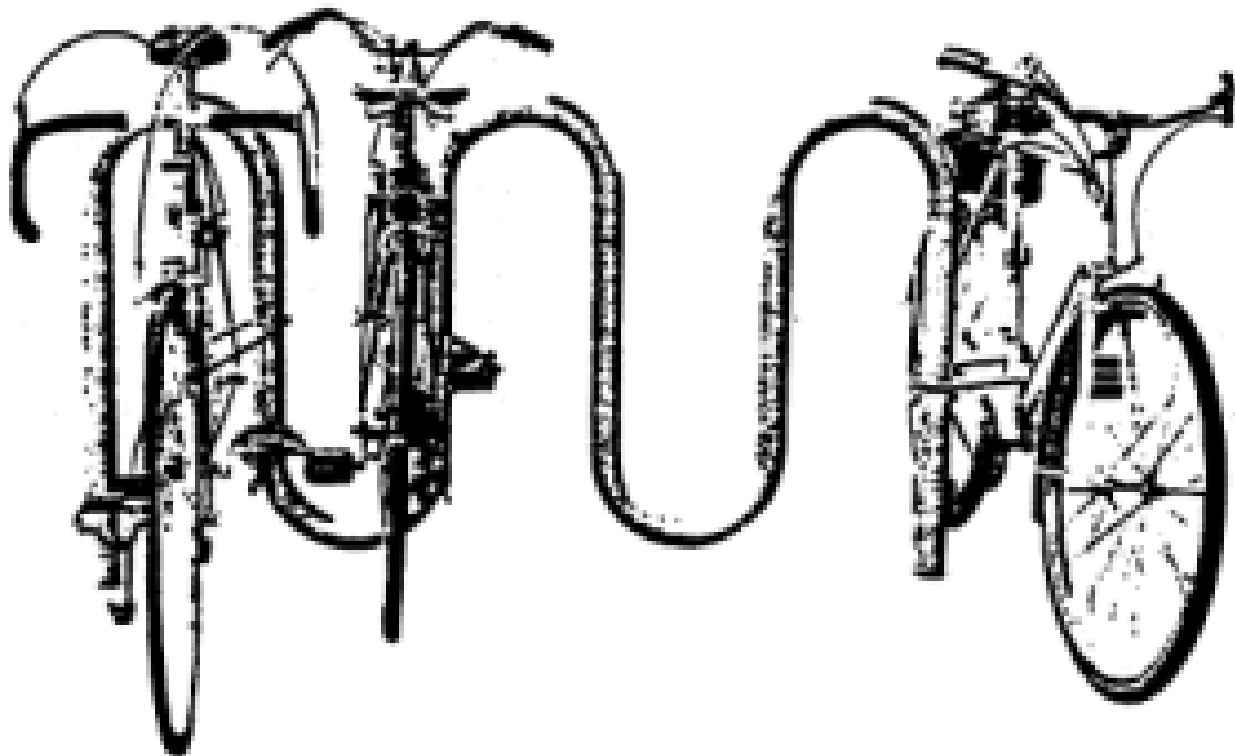
Had Brandir merely adopted one of the existing sculptures as a bicycle rack, neither the application to a utilitarian end nor commercialization of that use would have caused the object to forfeit its copyrighted status. Comparison of the RIBBON Rack with the earlier sculptures, however, reveals that while the rack may have been derived in part from one of more “works of art,” it is in its final form essentially a product of industrial design. In creating the RIBBON Rack, the designer has clearly adapted the original aesthetic elements to accommodate and further a utilitarian purpose. These altered design features of the RIBBON Rack, including the spacesaving, open design achieved by widening the upper loops to permit parking under as well as over the rack’s curves, the straightened vertical elements that allow in- and above-ground installation of the rack, the ability to fit all types of bicycles and mopeds, and the heavy-gauged tubular construction of rustproof galvanized steel, are all features that combine to make for a safe, secure, and maintenance-free system of parking bicycles and mopeds. Its undulating shape is said in *Progressive Architecture*, January 1982, to permit double the storage of conventional bicycle racks. Moreover, the rack is manufactured from 2 3/8-inch standard steam pipe that is bent into form, the six-inch radius of the bends evidently resulting from bending the pipe according to a standard formula that yields bends having a radius equal to three times the nominal internal diameter of the pipe.

Brandir argues that its RIBBON Rack can and should be characterized as a sculptural work of art within the minimalist art movement. Minimalist sculpture’s most outstanding feature is said to be its clarity and

simplicity, in that it often takes the form of geometric shapes, lines, and forms that are pure and free of ornamentation and void of association. As Brandir's expert put it, "The meaning is to be found in, within, around and outside the work of art, allowing the artistic sensation to be experienced as well as intellectualized." People who use Foley Square in New York City see in the form of minimalist art the "Tilted Arc," which is on the plaza at 26 Federal Plaza. Numerous museums have had exhibitions of such art, and the school of minimalist art has many admirers.

It is unnecessary to determine whether to the art world the RIBBON Rack properly would be considered an example of minimalist sculpture. The result under the copyright statute is not changed. Using the test we have adopted, it is not enough that, to paraphrase Judge Newman, the rack may stimulate in the mind of the reasonable observer a concept separate from the bicycle rack concept. While the RIBBON Rack may be worthy of admiration for its aesthetic qualities alone, it remains nonetheless the product of industrial design. Form and function are inextricably intertwined in the rack, its ultimate design being as much the result of utilitarian pressures as aesthetic choices. Indeed, the visually pleasing proportions and symmetry of the rack represent design changes made in response to functional concerns. Judging from the awards the rack has received, it would seem in fact that Brandir has achieved with the RIBBON Rack the highest goal of modern industrial design, that is, the harmonious fusion of function and aesthetics. Thus there remains no artistic element of the RIBBON Rack that can be identified as separate and "capable of existing independently, of, the utilitarian aspects of the article." Accordingly, we must affirm on the copyright claim.

#### APPENDIX



#### APPENDIX

A-816



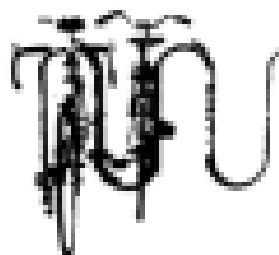
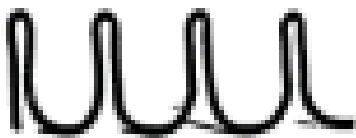
Grandin Ribbon Bicycle Rack  
1979

Grandin Ribbon Bicycle Rack  
1979

The Design Process: To translate a sculpture into a working product design.

Steven Levine started his career as an industrial engineer and computer analyst. Working with doodles, and manure, he formed a sculptural device. As he refined this form, he discovered that it could have a useful purpose as a support and mounting parking device. Aesthetics were the main concern. How the rack would relate to other racks.

The rack is made of one piece of rubber construction (40) Steel Pipe and can be mounted on any grade. Levine is both designer and manufacturer of the Ribbon Rack. He has stated that "this form was an experiment that found a function."



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### WINTER, Circuit Judge, concurring in part and dissenting in part:

Although I concur in the reversal of the district court's grant of summary judgment on the trademark and unfair competition claims, I respectfully dissent from the majority's discussion and disposition of the copyright claim.

My colleagues, applying an adaptation of Professor Denicola's test, hold that the aesthetic elements of the design of a useful article are not conceptually separable from its utilitarian aspects if "[f]orm and function are inextricably intertwined" in the article, and "its ultimate design [is] as much the result of utilitarian

pressures as aesthetic choices.” Applying that test to the instant matter, they observe that the dispositive fact is that “in creating the Ribbon Rack, [Levine] has clearly adapted the *original* aesthetic elements to accommodate and further a utilitarian purpose.” (emphasis added). The grounds of my disagreement are that: (1) my colleagues’ adaptation of Professor Denicola’s test diminishes the statutory concept of “conceptual separability” to the vanishing point; and (2) their focus on the process or sequence followed by the particular designer makes copyright protection depend upon largely fortuitous circumstances concerning the creation of the design in issue.

With regard to “conceptual separability,” my colleagues deserve considerable credit for their efforts to reconcile *Carol Barnhart Inc. v. Economy Cover Corp.*, 773 F.2d 411 (2d Cir.1985) with *Kieselstein–Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989 (2d Cir.1980). In my view, these cases are not reconcilable. *Carol Barnhart* paid only lip service to the fact that the “conceptual separability” of an article’s aesthetic utilitarian aspects may render the design of a “useful article” a copyrightable “sculptural work.” 17 U.S.C. § 101 (1982). Actually, the *Carol Barnhart* majority applied a test of physical separability. They thus stated:

What distinguishes [the *Kieselstein Cord* ] buckles from the *Barnhart* forms is that the ornamented surfaces of the buckles were not in any respect required by their utilitarian functions; the artistic and aesthetic features could thus be conceived of as having been *added to, or superimposed upon*, an otherwise utilitarian article. The unique artistic design was wholly unnecessary to performance of the utilitarian function. In the case of the *Barnhart* forms, on the other hand, the features claimed to be aesthetic or artistic, e.g., the life-size configuration of the breasts and the width of the shoulders are inextricably intertwined with the utilitarian feature, the display of clothes.

773 F.2d at 419 (emphasis added). In contrast, *Kieselstein–Cord* focused on the fact that the belt buckles at issue could be perceived as objects other than belt buckles:

We see in appellant’s belt buckles conceptually separable sculptural elements, as apparently have the buckles’ wearers who have used them as ornamentation for parts of the body other than the waist.

632 F.2d at 993.

My colleagues’ adaptation of the Denicola test tracks the *Carol Barnhart* approach, whereas I would adopt that taken in *Kieselstein–Cord*, which allows for the copyrightability of the aesthetic elements of useful articles even if those elements simultaneously perform utilitarian functions. The latter approach received its fullest elaboration in Judge Newman’s dissent in *Carol Barnhart*, where he explained that “[f]or the [artistic] design features to be ‘conceptually separate’ from the utilitarian aspects of the useful article that embodies the design, the article must stimulate in the mind of the beholder a concept that is separate from the concept evoked by its utilitarian function.”

In other words, the relevant question is whether the design of a useful article, however intertwined with the article’s utilitarian aspects, causes an ordinary reasonable observer to perceive an aesthetic concept not related to the article’s use. The answer to this question is clear in the instant case because any reasonable observer would easily view the Ribbon Rack as an ornamental sculpture. Indeed, there is evidence of actual confusion over whether it is strictly ornamental in the refusal of a building manager to accept delivery until assured by the buyer that the Ribbon Rack was in fact a bicycle rack. Moreover, *Brandir* has received a

request to use the Ribbon Rack as environmental sculpture, and has offered testimony of art experts who claim that the Ribbon Rack may be valued solely for its artistic features. As one of those experts observed: “If one were to place a Ribbon Rack on an island without access, or in a park and surround the work with a barrier, ... its status as a work of art would be beyond dispute.”

My colleagues also allow too much to turn upon the process or sequence of design followed by the designer of the Ribbon Rack. They thus suggest that copyright protection would have been accorded “had Brandir merely adopted ... as a bicycle rack” an enlarged version of one of David Levine’s original sculptures rather than one that had wider upper loops and straightened vertical elements. I cannot agree that copyright protection for the Ribbon Rack turns on whether Levine serendipitously chose the final design of the Ribbon Rack during his initial sculptural musings or whether the original design had to be slightly modified to accommodate bicycles. Copyright protection, which is intended to generate incentives for designers by according property rights in their creations, should not turn on purely fortuitous events. For that reason, the Copyright Act expressly states that the legal test is how the final article is perceived, not how it was developed through various stages. It thus states in pertinent part:

the design of a useful article ... shall be considered a ... sculptural work only if, and only to the extent that, such design incorporates ... *sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.*

17 U.S.C. § 101 (1982) (emphasis added).

I therefore dissent from the decision so far as it relates to copyrightability.

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## Check Your Understanding – *Brandir*

### Socratic Script

What are the various tests for conceptual separability mentioned by the court in *Brandir*?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=110#h5p-34>

What are some advantages and disadvantages of the test applied by the majority in *Brandir*?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=110#h5p-35>

In 2017 the Supreme Court, in an attempt to “resolve widespread disagreement over the proper test” to be used in applying the useful article doctrine, granted certiorari in the following case involving copyright on two-dimensional designs appearing on cheerleading uniforms.

Some things to consider when reading *Star Athletica*:

1. The holding of the case, and how the Court arrived at it.
2. The basis of Varsity’s argument that separability analysis is not necessary in this case, and why the majority rejected it. Note that Justice Ginsburg, writing in concurrence, appears to agree with Varsity’s argument.
3. The objections that the petitioner (Star Athletica) and the Government raise to the majority’s approach, and the majority’s explanation as to why it finds these objections lacking in merit.
4. The objections raised in the dissenting opinion, and the majority’s response to those objections.
5. The impact this decision had on the various tests for separability that had been developed in the lower courts, e.g., the tests set forth in *Brandir*.
6. Note that the Court chose to grant certiorari in a useful article case involving highly anomalous subject matter, i.e., two-dimensional “pictorial/graphic” features. The useful article doctrine generally comes up in the context of three-dimensional “structural” features, e.g., bike racks, belt buckles, mannequins, etc. Justice Ginsburg points out the problem with this in her concurrence.

### *Star Athletica, L.L.C. v. Varsity Brands, Inc.*

137 S. Ct. 1002 (2017)

Justice THOMAS delivered the opinion of the Court.

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

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

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

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

The Court of Appeals for the Sixth Circuit reversed. 799 F.3d 468, 471 (2015). In its view, the “graphic designs” were “separately identifiable” because the designs “and a blank cheerleading uniform can appear ‘side by side’—one as a graphic design, and one as a cheerleading uniform.” *Id.*, at 491 (quoting Compendium of U.S. Copyright Office Practices § 924.2(B) (3d ed. 2014) (Compendium)). And it determined that the designs were “‘capable of existing independently’” because they could be incorporated onto the surface of different types of garments, or hung on the wall and framed as art.

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

## II

A valid copyright extends only to copyrightable subject matter. The Copyright Act of 1976 defines copyrightable subject matter as “original works of authorship fixed in any tangible medium of expression.” 17 U.S.C. § 102(a).

“Works of authorship” include “pictorial, graphic, and sculptural works,” § 102(a)(5), which the statute defines to include “two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans,” § 101. And a work of authorship is “‘fixed’ in a tangible medium of expression when it[is] embodi[ed] in a” “material objec[t] ... from which the work can be perceived, reproduced, or otherwise communicated.” *Ibid.* (definitions of “fixed” and “copies”).

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

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

## A

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

### 1

Respondents argue that “[s]eparability is only implicated when a [pictorial, graphic, or sculptural] work is the ‘design of a useful article.’ ” They contend that the surface decorations in this case are “two-dimensional graphic designs that appear on useful articles,” but are not themselves designs of useful articles. Consequently, the surface decorations are protected two-dimensional works of graphic art without regard to any separability analysis under § 101. See 2 W. Patry, Copyright § 3:151, p. 3–485 (2016) (Patry) (“Courts looking at two-dimensional design claims should not apply the separability analysis regardless of the three-dimensional form that design is embodied in”). Under this theory, two-dimensional artistic features on the surface of useful articles are “inherently separable.”

This argument is inconsistent with the text of § 101. The statute requires separability analysis for any “pictorial, graphic, or sculptural features” incorporated into the “design of a useful article.” “Design” refers here to “the combination” of “details” or “features” that “go to make up” the useful article. 3 Oxford English Dictionary 244 (def. 7, first listing) (1933) (OED). Furthermore, the words “pictorial” and “graphic” include, in this context, two-dimensional features such as pictures, paintings, or drawings. See 4 *id.*, at 359 (defining “[g]raphic” to mean “[o]f or pertaining to drawing or painting”); 7 *id.*, at 830 (defining “[p]ictorial” to mean “of or pertaining to painting or drawing”). And the statute expressly defines “[p]ictorial, graphical, and sculptural works” to include “two-dimensional ... works of ... art.” § 101. The statute thus provides that the “design of a useful article” can include two-dimensional “pictorial” and “graphic” features, and separability analysis applies to those features just as it does to three-dimensional “sculptural” features.

## B

We must now decide when a feature incorporated into a useful article “can be identified separately from” and is “capable of existing independently of” “the utilitarian aspects” of the article. This is not a free-ranging search for the best copyright policy, but rather “depends solely on statutory interpretation.” *Mazer v. Stein*, 347 U.S. 201, 214 (1954). The controlling principle in this case is the basic and unexceptional rule that courts must give effect to the clear meaning of statutes as written. We thus begin and end our inquiry with the text, giving each word its ordinary, contemporary, common meaning. We do not, however, limit this inquiry to the text of § 101 in isolation. Interpretation of a phrase of uncertain reach is not confined to a single sentence when the text of the whole statute gives instruction as to its meaning. We thus look to the provisions of the whole law to determine § 101’s meaning.

### 1



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

The independent-existence requirement is ordinarily more difficult to satisfy. The decisionmaker must determine that the separately identified feature has the capacity to exist apart from the utilitarian aspects of the article. In other words, the feature must be able to exist as its own pictorial, graphic, or sculptural work as defined in § 101 once it is imagined apart from the useful article. If the feature is not capable of existing as a pictorial, graphic, or sculptural work once separated from the useful article, then it was not a pictorial, graphic, or sculptural feature of that article, but rather one of its utilitarian aspects.

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

## 2

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

## 3

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

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

Second, the Court held that it was irrelevant to the copyright inquiry whether the statuette was initially created as a freestanding sculpture or as a lamp base. *Mazer* thus interpreted the 1909 Act consistently with the rule discussed above: If a design would have been copyrightable as a standalone pictorial, graphic, or sculptural work, it is copyrightable if created first as part of a useful article.

Shortly thereafter, the Copyright Office enacted a regulation implementing the holdings of *Mazer*. As amended, the regulation introduced the modern separability test to copyright law:

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

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

## C

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

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

The dissent argues that the designs are not separable because imaginatively removing them from the uniforms and placing them in some other medium of expression—a canvas, for example—would create “pictures of cheerleader uniforms.” Petitioner similarly argues that the decorations cannot be copyrighted because, even when extracted from the useful article, they retain the outline of a cheerleading uniform.

This is not a bar to copyright. Just as two-dimensional fine art corresponds to the shape of the canvas on which it is painted, two-dimensional applied art correlates to the contours of the article on which it is applied. A fresco painted on a wall, ceiling panel, or dome would not lose copyright protection, for example, simply because it was designed to track the dimensions of the surface on which it was painted. Or consider, for example, a design etched or painted on the surface of a guitar. If that entire design is imaginatively

removed from the guitar's surface and placed on an album cover, it would still resemble the shape of a guitar. But the image on the cover does not "replicate" the guitar as a useful article. Rather, the design is a two-dimensional work of art that corresponds to the shape of the useful article to which it was applied. The statute protects that work of art whether it is first drawn on the album cover and then applied to the guitar's surface, or vice versa. Failing to protect that art would create an anomaly: It would extend protection to two-dimensional designs that cover a part of a useful article but would not protect the same design if it covered the entire article. The statute does not support that distinction, nor can it be reconciled with the dissent's recognition that "artwork printed on a t-shirt" could be protected.

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

## D

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

## 1

Petitioner first argues that our reading of the statute is missing an important step. It contends that a feature may exist independently only if it can stand alone as a copyrightable work and if the useful article from which it was extracted would remain equally useful. In other words, copyright extends only to "solely artistic" features of useful articles. According to petitioner, if a feature of a useful article "advance[s] the utility of the article," then it is categorically beyond the scope of copyright. The designs here are not protected, it argues, because they are necessary to two of the uniforms' "inherent, essential, or natural functions"—identifying the wearer as a cheerleader and enhancing the wearer's physical appearance. Because the uniforms would not be equally useful without the designs, petitioner contends that the designs are inseparable from the "utilitarian aspects" of the uniform.

The Government raises a similar argument, although it reaches a different result. It suggests that the appropriate test is whether the useful article with the artistic feature removed would "remain similarly useful." In the view of the United States, however, a plain white cheerleading uniform is "similarly useful" to uniforms with respondents' designs.

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

Of course, because the removed feature may not be a useful article—as it would then not qualify as a pictorial, graphic, or sculptural work—there necessarily would be some aspects of the original useful article

“left behind” if the feature were conceptually removed. But the statute does not require the imagined remainder to be a fully functioning useful article at all, much less an equally useful one. Indeed, such a requirement would deprive the *Mazer* statuette of protection had it been created first as a lamp base rather than as a statuette. Without the base, the “lamp” would be just a shade, bulb, and wires. The statute does not require that we imagine a nonartistic replacement for the removed feature to determine whether that *feature* is capable of an independent existence.

Petitioner’s argument follows from its flawed view that the statute protects only “solely artistic” features that have no effect whatsoever on a useful article’s utilitarian function. This view is inconsistent with the statutory text. The statute expressly protects two- and three-dimensional “applied art.” § 101. “Applied art” is art “employed in the decoration, design, or execution of useful objects,” Webster’s Third New International Dictionary 105 (1976) (emphasis added), or “those arts or crafts that have a *primarily utilitarian function*, or ... the designs and decorations used in these arts,” Random House Dictionary 73 (1966) (emphasis added). An artistic feature that would be eligible for copyright protection on its own cannot lose that protection simply because it was first created as a feature of the design of a useful article, even if it makes that article more useful.

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

Because we reject the view that a useful article must remain after the artistic feature has been imaginatively separated from the article, we necessarily abandon the distinction between “physical” and “conceptual” separability, which some courts and commentators have adopted based on the Copyright Act’s legislative history. According to this view, a feature is *physically* separable from the underlying useful article if it can “be physically separated from the article by ordinary means while leaving the utilitarian aspects of the article completely intact.” Compendium § 924.2(A); see also *Chosun Int’l, Inc. v. Chrisha Creations, Ltd.*, 413 F.3d 324, 329 (C.A.2 2005). *Conceptual* separability applies if the feature physically could not be removed from the useful article by ordinary means. See Compendium § 924.2(B); but see 1 P. Goldstein, Copyright § 2.5.3, p. 2:77 (3d ed. 2016) (explaining that the lower courts have been unable to agree on a single conceptual separability test); 2 Patry §§ 3:140–3:144.40 (surveying the various approaches in the lower courts).

The statutory text indicates that separability is a conceptual undertaking. Because separability does not require the underlying useful article to remain, the physical-conceptual distinction is unnecessary.

## 2

Petitioner next argues that we should incorporate two “objective” components, into our test to provide guidance to the lower courts: (1) “whether the design elements can be identified as reflecting the designer’s artistic judgment exercised independently of functional influence,” and (2) whether “there is [a] substantial likelihood that the pictorial, graphic, or sculptural feature would still be marketable to some significant segment of the community without its utilitarian function.”

We reject this argument because neither consideration is grounded in the text of the statute. The first would

require the decisionmaker to consider evidence of the creator’s design methods, purposes, and reasons. The statute’s text makes clear, however, that our inquiry is limited to how the article and feature are perceived, not how or why they were designed. See *Brandir Int’l, Inc. v. Cascade Pacific Lumber Co.*, 834 F.2d 1142, 1152 (C.A.2 1987) (Winter, J., concurring in part and dissenting in part) (The statute “expressly states that the legal test is how the final article is perceived, not how it was developed through various stages”).

The same is true of marketability. Nothing in the statute suggests that copyrightability depends on market surveys. Moreover, asking whether some segment of the market would be interested in a given work threatens to prize popular art over other forms, or to substitute judicial aesthetic preferences for the policy choices embodied in the Copyright Act. See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903) (“It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of pictorial illustrations, outside of the narrowest and most obvious limits”).

### 3

Finally, petitioner argues that allowing the surface decorations to qualify as a “work of authorship” is inconsistent with Congress’ intent to entirely exclude industrial design from copyright. Petitioner notes that Congress refused to pass a provision that would have provided limited copyright protection for industrial designs, including clothing, when it enacted the 1976 Act, and that it has enacted laws protecting designs for specific useful articles—semiconductor chips and boat hulls, see 17 U.S.C. §§ 901–914, 1301–1332—while declining to enact other industrial design statutes. From this history of failed legislation petitioner reasons that Congress intends to channel intellectual property claims for industrial design into design patents. It therefore urges us to approach this question with a presumption against copyrightability.

We do not share petitioner’s concern. As an initial matter, congressional inaction lacks persuasive significance in most circumstances. Moreover, we have long held that design patent and copyright are not mutually exclusive. See *Mazer*, 347 U.S., at 217. Congress has provided for limited copyright protection for certain features of industrial design, and approaching the statute with presumptive hostility toward protection for industrial design would undermine Congress’ choice. In any event, as explained above, our test does not render the shape, cut, and physical dimensions of the cheerleading uniforms eligible for copyright protection.

### III

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

*It is so ordered.*

## APPENDIX TO OPINION OF THE COURT



### **Justice GINSBURG, concurring in the judgment.**

I concur in the Court’s judgment but not in its opinion. Unlike the majority, I would not take up in this case the separability test appropriate under 17 U.S.C. § 101. Consideration of that test is unwarranted because the designs at issue are not designs of useful articles. Instead, the designs are themselves copyrightable pictorial or graphic works reproduced on useful articles.

A pictorial, graphic, or sculptural work (PGS work) is copyrightable. § 102(a)(5). PGS works include “two-dimensional and three-dimensional works of fine, graphic, and applied art.” § 101. Key to this case, a copyright in a standalone PGS work “includes the right to reproduce the work in or on any kind of article, whether useful or otherwise.” § 113(a). Because the owner of a copyright in a pre-existing PGS work may exclude a would-be infringer from reproducing that work on a useful article, there is no need to engage in any separability inquiry to resolve the instant petition.

The designs here in controversy are standalone pictorial and graphic works that respondents Varsity Brands, Inc., et al. (Varsity) reproduce on cheerleading uniforms. Varsity’s designs first appeared as pictorial and graphic works that Varsity’s design team sketched on paper. Varsity then sought copyright protection for those two-dimensional designs, not for cheerleading costumes; its registration statements claimed “2-Dimensional artwork” and “fabric design (artwork).” Varsity next reproduced its two-dimensional graphic designs on cheerleading uniforms, also on other garments, including T-shirts and jackets.

In short, Varsity’s designs are not themselves useful articles meet for separability determination under § 101; they are standalone PGS works that may gain copyright protection as such, including the exclusive right to reproduce the designs on useful articles.

### **Justice BREYER, with whom Justice KENNEDY joins, dissenting.**

I agree with much in the Court’s opinion. But I do not agree that the designs that Varsity Brands, Inc., submitted to the Copyright Office are eligible for copyright protection. Even applying the majority’s test, the designs cannot “be perceived as ... two- or three-dimensional work[s] of art separate from the useful article.”

Look at the designs that Varsity submitted to the Copyright Office. See Appendix to opinion of the Court, *ante*. You will see only pictures of cheerleader uniforms. And cheerleader uniforms are useful articles. A picture of the relevant design features, whether separately “perceived” on paper or in the imagination, is a picture of, and thereby “replicate[s],” the underlying useful article of which they are a part. Hence the design features that Varsity seeks to protect are not “capable of existing independently o[f] the utilitarian aspects of the article.” 17 U.S.C. § 101.

. . . With respect, I dissent.

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To sum things up, in *Star Athletica*, the Supreme Court held that a feature incorporated into the design of a useful article is eligible for copyright protection only if the feature:

- (1) can be perceived as a two- or three-dimensional work of art separate from the useful article, and
- (2) would qualify as a protectable pictorial, graphic, or sculptural work—either on its own or fixed in some other tangible medium of expression—if it were imagined separately from the useful article into which it is incorporated.

The question remains as to how the lower courts and Copyright Office will apply this rather cryptic test. For the Copyright Office’s interpretation of *Star Athletica*, see U.S. Copyright Office, *Compendium of U.S. Copyright Office Practices* § 924 *et seq.* (3d ed. 2021). The following decision out of the Central District of California represents one of the most recent instances in which a court examined and applied *Star Athletica*.

## Check Your Understanding – *Star Athletica*

**Question 1.** True or false: The useful article doctrine precludes copyright protection for useful computer programs.



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-36>

**Question 2.** How did the Court in *Star Athletica* arrive at its two-part test for determining whether a feature incorporated into the design of a useful article is eligible for copyright protection?



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<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-37>

**Question 3.** True or false: As a general matter, fashion design cannot be copyrighted.



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-38>

**Question 4.** True or false: An artistic feature of the design of a useful article is only copyrightable if it can stand alone as a copyrightable work and if the useful article from which it was extracted would remain equally useful



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-39>

**Question 5.** In *Star Athletica*, which of the following “objective” components did the Court incorporate into its test in order to provide guidance to the lower courts?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-40>

**Question 6.** Which of the following limit the applicability of the *Star Athletica* two-part test?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-41>

Some things to consider when reading *Liaigre*:

1. The court’s review of *Star Athletica* and its application of *Star Athletica*’s two-part test to the useful articles at issue in this case, *i.e.*, pieces of furniture.



2. The district court's review of *Star Athletica* and several district court decisions applying *Star Athletica*'s two-part test.
3. The district court's use of these earlier district court decisions as persuasive (albeit nonbinding) precedent in resolving the case at hand.
4. The court's focus on the extent to which purportedly sculptural elements of the furniture represented identifiable subject matter from the natural world, such as the legs of horses or fishhooks.
5. The line drawn by the court between copyrightable "decorative and artistic elements" and uncopyrightable "basic geometric shapes."

*Liaigre, Inc. v. California Furniture Collection, Inc.*

2023 WL 4316881 (C.D. Cal. June 2, 2023)

KRONSTADT, United States District Judge.

Liaigre USA alleges that "Christian Liaigre SAS ('Liaigre France') is one of the most renowned furniture design companies in the world." Liaigre USA alleges that "Liaigre France's items of furniture are considered standalone works of art and are so distinctive as to be identified with Liaigre France and Liaigre France's United States subsidiary, Liaigre USA, which holds the exclusive rights to exploit Liaigre France's furniture in the United States." This Order refers to Liaigre France and Liaigre USA collectively as "Liaigre." Liaigre generally sells furniture to interior designers and architectural professionals, who make purchases on behalf of individuals with substantial wealth.

California Furniture Collection, Inc. ("CFC") also designs furniture and, like Liaigre, primarily sells its furniture to interior designers who make purchases on behalf of individuals with substantial wealth.

Liaigre USA alleges that CFC "has brazenly and impermissibly copied at least eight [ ] distinct pieces of furniture, each of which were designed and first exploited by Liaigre France in France and subsequently sold in the United States by Liaigre USA (the 'Liaigre Furniture') pursuant to an exclusive license from Liaigre France." Liaigre alleges that CFC sells its infringing furniture (the "CFC Furniture") as part of its "Robert James Collection."

Liaigre USA alleges that, because "CFC [is] selling the Infringing Furniture just steps from Liaigre USA's Orange County-based showroom, potential customers that view the Liaigre Furniture in its showroom (Suite 139) can then go to the [CFC] showroom (Suite 136) and purchase the [CFC Furniture] from Defendants."

The Complaint includes the following images of each Liaigre Furniture product at issue next to the corresponding CFC Furniture.

Liaigre's Missane Table	CFC's Greycliff Dining Table
	

Liaigre's Centaure Table	CFC's Parisian Legged Dining Table
	
	

Liaigre's Somaria Table



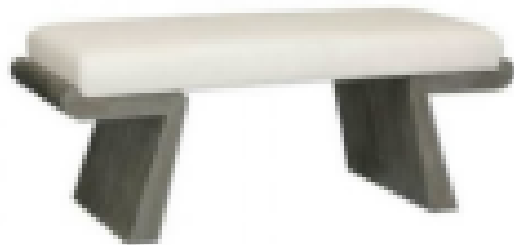
CFC's Greycliff Occasional Table



Liaigre's Calme Plat Bench



CFC's Halcyon Bench



Liaigre's Maritime Chair



CFC's Brasilia Dining Chair



Liaigre's Bomarzo Side Table	CFC Unnamed Table
	
Liaigre's Corvette Desk	CFC's Palmero Dining Table
	

Liaigre's Centaure Table	CFC's Parisian Legged Dining Table
	
	

...

### III. Analysis

Defendants move for reconsideration of the determination in the Prior Order that there is a triable issue of fact as to the validity of Plaintiff's copyrights. Defendants argue that Plaintiff is effectively claiming copyright protection in the overall shape of the pieces of Liaigre furniture.

#### 1. The Copyright Claim: Separability

##### a) Whether Reconsideration is Warranted

Defendants' argument that the prior ruling erred by rejecting the position of the U.S. Copyright Office, which stated that the overall shape of a product cannot be copyrighted, is unpersuasive. The Prior Order noted that the Compendium of U.S. Copyright Office Practices is only persuasive authority, but the Prior Order did not reject the position of the U.S. Copyright Office.

Defendants' argument that the Prior Order reflected error in holding that Plaintiff could copyright an overall product configuration is equally unpersuasive. The Prior Order did not so hold. It only determined that the legs of certain pieces of furniture, and the back of the Maritime chair, could be protectible sculptural works if imagined separately. As a result, it was determined that Defendants were not entitled to summary judgment as to the pieces of furniture to which these works were attached.

##### b) The *Star Athletica* Test

“Congress has provided copyright protection for original works of art, but not for industrial designs.” *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 580 U.S. 405, 409 (2017). However, the Supreme Court has recognized that “[t]he line between art and industrial design ... is often difficult to draw,” especially “when an industrial design incorporates artistic elements.” “Congress has afforded limited protection for these artistic elements by providing that ‘pictorial, graphic, or sculptural features’ of the ‘design of a useful article’ are eligible for copyright protection as artistic works if those features ‘can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.’”(quoting 17 U.S.C. § 101).

The Supreme Court created a two-step test for applying this statutory language:

[A] feature incorporated into the design of a useful article is eligible for copyright protection only if the feature (1) can be perceived as a two- or three-dimensional work of art separate from the useful article and (2) would qualify as a protectable pictorial, graphic, or sculptural work—either on its own or fixed in some other tangible medium of expression—if it were imagined separately from the useful article into which it is incorporated.

“The first requirement—separate identification—is not onerous.” *Id.* at 414. “The decisionmaker need only be able to look at the useful article and spot some two- or three-dimensional element that appears to have pictorial, graphic, or sculptural qualities.” *Id.*

“The independent-existence requirement is ordinarily more difficult to satisfy.” *Id.* “[T]he feature must be able to exist as its own pictorial, graphic, or sculptural work as defined in § 101 once it is imagined apart from the useful article.” *Id.* “If the feature is not capable of existing as a pictorial, graphic, or sculptural work once separated from the useful article, then it was not a pictorial, graphic, or sculptural feature of that article, but rather one of its utilitarian aspects.” *Id.*

The Supreme Court has noted at least three limitations on the applicability of this principle. *First*, “to qualify as a pictorial, graphic, or sculptural work on its own, the feature cannot itself be a useful article or ‘[a]n article that is normally a part of a useful article’ (which is itself considered a useful article).” (quoting 17 U.S.C. § 101). Thus, where “imaginatively removing” the feature and “applying [it] in another medium would ... replicate the [useful article] itself,” copyright protection is not appropriate. For example, a shovel could be displayed in an art museum but it would not be copyrightable. *Second*, someone cannot “claim a copyright in a useful article merely by creating a replica of that article in some other medium—for example, a cardboard model of a car.” *Third*, only the separable feature can be the subject of copyright protection, not the “shape, cut, and dimensions” of the useful article. The separable feature must meet all of the criteria to be copyrightable, including originality. Nevertheless, “[i]f a design would have been copyrightable as a standalone pictorial, graphic, or sculptural work, it is copyrightable if created first as part of a useful article.”

### **c) Subsequent Cases**

Several cases have applied the *Star Athletica* separability test to copyrights involving furniture. Courts have generally found a triable issue as to whether an allegedly separable feature is a protectible sculptural work so long as the allegedly separable feature has decorative and artistic elements that go beyond basic geometric shapes. For example, *Jetmax* found that the following decorative covers of a “Tear Drop Light Set ‘can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the Tear

Drop light Set.’” *Jetmax Ltd. v. Big Lots, Inc.*, 15-cv-9597 (KBF), 2017 WL 3726756 at \*2 (S.D.N.Y. Aug. 28, 2017) (quoting 17 U.S.C. § 101; *Star Athletica*, 580 U.S. at 410).



*Jetmax* reasoned that the separate-identification requirement was met because “[t]he Tear Drop Light Set undoubtedly has three-dimensional decorative covers that have sculptural qualities.” The opinion also determined that the independent-existence requirement was met for the following reasons:

The decorative covers are sculptural works that are capable of existing apart from the utilitarian aspect of the light set, i.e. the light bulbs and other components that cause the Tear Drop Light Set to light a room. The primary purpose of the cover is artistic; once the covers are removed, the remainder is a functioning but unadorned light string.

*Inhale, Inc. v. Starbuzz Tobacco, Inc.*, Case No. 2:11-cv-03838-ODW (FFM), 2017 WL 4163990, at \*3 (C.D. Cal. May 8, 2017), reached a different outcome based on the evidence presented. It found that the utilitarian and artistic features of a hookah water container were not separable where they were “essentially geometric shapes of the most common type.” However, *Inhale, Inc.* includes the following dictum:

This is not to say that there are not some, if not many, useful articles composed of unique geometric shapes ... or unique combinations of geometric shapes that might pass muster under the *Star Athletica* test. It is only to say that the water container at issue here is no Noguchi Table.

The Order contains the following image of the Noguchi Table:



*Corinna Warm and Studio Warm LLC v. Innermost Ltd.*, Case No. CV21-4402-MWF (SHKx), 2022 WL 2062914 (C.D. Cal. Apr. 26, 2022) reached a similar conclusion. There, the plaintiff copyrighted certain lampshades and brought a copyright action against the defendant for the alleged infringement of them. *Corinna* noted the “extreme breadth with which something can be construed to be a sculpture or sculptural.” Although the defendant had “a strong argument that a lampshade, when conceptualized separately from a lamp, is part of a useful article,” that argument was not dispositive. “The ultimate separability question is whether the lampshades would have been protectible if they had originally been fixed in some tangible medium other than a useful article before being applied to a useful article.” Because “the lampshades could very much have been copyrighted as metal sculptures first and later converted to use as lampshades,” summary judgment was denied on separability.

Defendants argue that *Jetmax* and *Corinna* are inconsistent with *Star Athletica* and must be disregarded. Defendants’ position is not persuasive. With respect to *Jetmax*, Defendants argue that this case improperly adopted a “primarily artistic purpose” test for separability. *Jetmax* did not do so. *Star Athletica* instructs courts to ask whether the allegedly separable feature has “the capacity to exist apart from the utilitarian aspects of the article.” *Star Athletica*, 580 U.S. at 414. *Jetmax* noted that the covering at issue had a primarily artistic purpose only to help explain why that covering, imagined separately, would be a protectable sculptural work rather than a useful article. With respect to *Corinna*, Defendants argue that the court erred by holding that a lampshade could be a protectable sculptural work. Although *Corinna* presented unique facts, it appeared that the lampshades could exist apart from the utilitarian aspects of the lamp because the lampshades could have been created as metal sculptures and later used as lampshades. The opinion in *Corinna* does not include images of the lampshades at issue. It is possible that some lampshades are not separable. However, it cannot be said that no lampshade could ever qualify for copyright protection.

#### **d) Application to the Liaigre Furniture**

The analysis begins with the Missane Table. With respect to the first step of the analysis, the curved portion



of its legs is a three-dimensional element that could be perceived as separate from the overall design of the table. With respect to the second step, Plaintiff contends that this element evokes “a sense of musculature observed from a horse’s leg” and that the base of the leg “depicts a hoof.” Plaintiff links this element to Christian Liaigre’s interest in equestrian-influenced aesthetics. Plaintiff also offered expert testimony that this component of the Missane Table would, taken separately, changed in size, and placed in a new medium, qualify as fine art.

The legs of the Missane Table, imagined separately from the rest of the table, are not obviously the legs of a table. A reasonable jury could find that the legs of this table are abstract, stylized sculptures of a horse’s leg and, therefore, not normally part of a useful article. At summary judgment, every reasonable inference must be drawn in favor of the non-moving party. Plaintiff has proffered sufficient evidence to create a genuine dispute as to whether the Missane Table has sculptural features that can be identified separately, and are capable of existing independently from the furniture itself. As in *Jetmax*, the sculpted legs can be determined to serve a primarily decorative and artistic purpose. Because these elements go well beyond basic geometric shapes, they are more analogous to the Noguchi Table than the hookah water container in *Inhale*. Finally, like the lampshades in *Corinna*, the sculpted legs could have been copyrighted as metal sculptures before being applied to the Liaigre Furniture.

This same analysis applies to the Gallon console and Somaria table. A reasonable jury could determine that, if one imagined the legs of those pieces of furniture separately, they would be sculptures of a horse’s leg and would not normally be part of a useful article.

The analysis is largely the same as to the Centaure table. As before, Plaintiff alleges that the leg of the table is an abstract, stylized sculpture of a horse’s leg. Although this is somewhat harder to see, the base of the leg does have a distinct, hooflike appearance. Considered in light of the standard for summary judgment, Plaintiff has made an adequate showing that there is a triable issue of fact as to this piece of furniture.

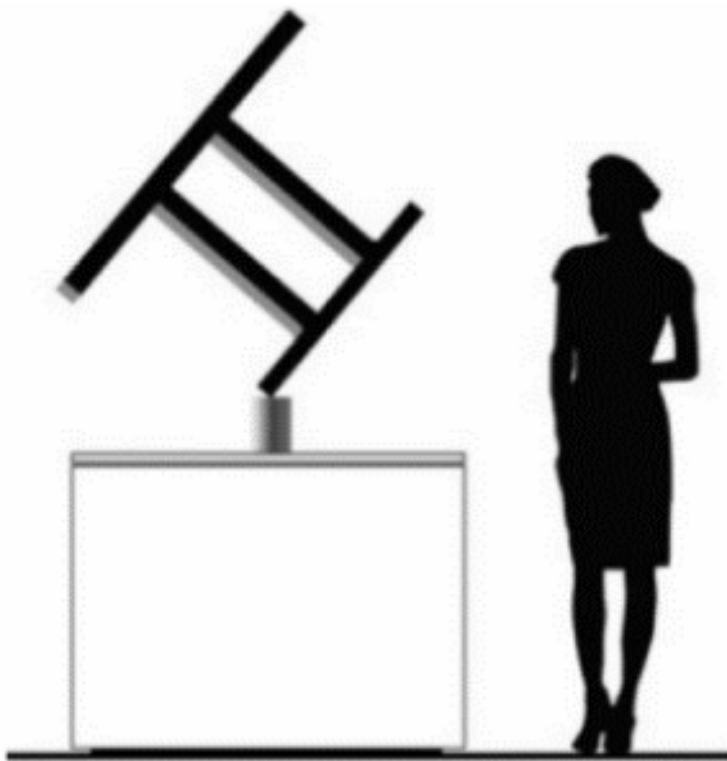
The next issue is the Calme Plat bench. The first step of the analysis is satisfied: each leg of the bench is a three-dimensional work of art that can be perceived separately from the rest of the bench. The next step is to inquire whether, imagined separately, the legs would qualify as protectible sculptural works. Plaintiff argues that they are highly stylized sculptures of hands. This is not obvious, but the standard is the “extreme breadth with which something can be construed to be a sculpture or sculptural.” It cannot be said that the leg of a bench could never be a protectible sculptural work. For example, a bench held up by two sculptures of cherubs could be protected. The bench would pass the separability analysis because the cherub sculptures would be protectible sculptural works. The legs of the Calme Plat bench go somewhat beyond basic geometric shapes and serve a primarily decorative purpose. Imagined separately, the legs of this bench are not obviously or necessarily part of a bench or other piece of furniture. Again, there is an adequate showing that there is a triable issue of fact as to whether these legs would be protectible sculptural works if they had been created first.

The next issue is the Maritime Chair. Plaintiff identifies two features that are allegedly separable. First, Plaintiff argues that the back of the chair is a sculpture of a fishnet. Second, Plaintiff argues that the base of each leg of the chair is a sculpture of a fishhook. The latter argument is not persuasive. The legs seem to taper to a point; they do not seem to resemble fishhooks. Nevertheless, Plaintiff’s first argument is sufficient to establish a triable issue of fact as to this piece of furniture. The fishnet sculpture is not normally a useful

article, nor is it normally part of a useful article. Imagined separately, nothing about the fishnet sculpture indicates that it would be used as the back of a chair. It was included here for purposes of decoration. For all these reasons, Defendants are not entitled to summary judgment with respect to the Maritime Chair.

Defendants are entitled to summary judgment with respect to the Corvette desk. Plaintiff does not argue that the desk, or any portion of it, is a sculpture of something else. Plaintiff's argument is that the base of the table could be duplicated and shown in a fine art gallery setting, which would transform the base of the table into a standalone work of art. This is insufficient to create a triable issue of fact. As *Star Athletica* noted, a shovel placed in a museum does not stop becoming a useful article simply because it is placed in a museum. Even imagined separately, the legs of the Corvette desk look like the legs of a piece of furniture.

**Corvette Desk Legs:**



Furthermore, the legs of the desk contain little, if any, decorative material. Although Plaintiff argues that the legs resemble the roman numeral II, the legs use only the most basic geometric shapes. No reasonable jury could conclude that these legs are actually sculptures. Defendants are therefore entitled to summary judgment with respect to this piece of furniture.

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## Check Your Understanding – *Liaigre*

**Question 1.** According to *Liaigre*, under what circumstances will geometric shapes incorporated into a useful article be eligible for copyright protection?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=110#h5p-42>

Some things to consider when reading *Silvertop Assocs.*:

1. The court’s discussion of *Star Athletica* and its application of *Star Athletica*’s two-part test to the useful article at issue in this case, a full-body banana costume, a type of sculptural work.
2. Excerpts of this decision pertaining to the “merger” and “scenes *a faire*” doctrines appeared earlier in this casebook.

### *Silvertop Assocs. Inc. v. Kangaroo Mfg. Inc.*

931 F.3d 215 (3d Cir. 2019)

HARDIMAN, Circuit Judge.

This interlocutory appeal involves the validity of a copyright in a full-body banana costume. Appellant Kangaroo Manufacturing Inc. concedes that the banana costume it manufactures and sells is substantially similar to the banana costume created and sold by Appellee Rasta Imposta. See *infra* Appendix A. Yet Kangaroo claims that Rasta cannot hold a valid copyright in such a costume’s “pictorial, graphic, or sculptural features.” 17 U.S.C. § 101. This dispute presents a matter of first impression for our Court and requires us to apply the Supreme Court’s recent decision in *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 137 S. Ct. 1002 (2017). We hold that, in combination, the Rasta costume’s non-utilitarian, sculptural features are copyrightable, so we will affirm the District Court’s preliminary injunction.

### III

#### A

A valid copyright extends only to copyrightable subject matter. Copyrightable subject matter means “original works of authorship fixed in any tangible medium of expression.” 17 U.S.C. § 102(a). Originality is a very low bar, requiring only a minimal amount of creativity.

A special rule applies to “useful articles,” i.e., those which have “an intrinsic utilitarian function that is not

merely to portray the appearance of the article or to convey information.” 17 U.S.C. § 101. Without more, they may not receive protection as such. Instead, useful articles that incorporate pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article may be eligible for protection of those features alone. Thus, separability analysis determines whether a useful article contains copyrightable features.

A useful article’s design feature “is eligible for copyright if, when identified and imagined apart from the useful article, it would qualify as a pictorial, graphic, or sculptural work either on its own or when fixed in some other tangible medium.” *Star Athletica*, 137 S. Ct. at 1012 (describing separability analysis). So we ask two questions: (1) can the artistic feature of the useful article’s design be perceived as a two- or three-dimensional work of art separate from the useful article? and (2) would the feature qualify as a protectable pictorial, graphic, or sculptural work either on its own or in some other medium if imagined separately from the useful article? *Id.* at 1016.

The first requirement “is not onerous. The decisionmaker need only be able to look at the useful article and spot some two- or three-dimensional element that appears to have pictorial, graphic, or sculptural qualities.” *Id.* at 1010.

The second requirement, which is “ordinarily more difficult to satisfy,” requires “that the separately identified feature has the capacity to exist apart from the utilitarian aspects of the article.” *Id.* And that separate feature “cannot itself be a useful article or ‘an article that is normally a part of a useful article’ (which is itself considered a useful article).” *Id.* We do not focus on “any aspects of the useful article that remain after the imaginary extraction.” *Id.* at 1013. Nor does the work’s marketability or artistic merit bear on our analysis. See *id.* at 1015. Thus, the two-part inquiry effectively turns on whether the separately imagined features are still intrinsically useful.

We have explained that we do not analyze each feature in isolation; instead, a specific *combination* of elements that gives a sculpture its unique look could be eligible for copyright protection. *Kay Berry, Inc. v. Taylor Gifts, Inc.*, 421 F.3d 199, 209 (3d Cir. 2005) (emphasis added). Those combined features may include texture, color, size, and shape, among others, and it means nothing that these elements may not be individually entitled to protection.

The Supreme Court in *Star Athletica* found the two-dimensional design patterns on cheerleader uniforms eligible for copyright protection. The uniform’s utilitarian “shape, cut, and dimensions” were not copyrightable, but “the two-dimensional work of art fixed in the tangible medium of the uniform fabric” was. Imagining those designs apart from the uniform did not necessarily replicate the useful article even though the designs still looked like uniforms.

The *Star Athletica* Court also provided helpful examples addressing three-dimensional articles. First, it reaffirmed its decision in *Mazer*, which held that a statuette depicting a dancer, intended for use as a lamp base, was eligible for copyright protection. Second, the Court noted that a replica of a useful article (cardboard model car) could be copyrightable, although the underlying article (the car itself) could not. Finally, the Court noted that a shovel, “even if displayed in an art gallery,” still has an intrinsic utilitarian function beyond portraying its appearance or conveying information. So it could not be copyrighted, even though a drawing of a shovel or any separately identifiable artistic features could. We too have observed

that “just because a sculpture is incorporated into an article that functions as other than a pure sculpture does not mean that the sculptural part of the article is not copyrightable.” *Masquerade Novelty, Inc. v. Unique Indus.*, 912 F.2d 663, 669 (3d Cir. 1990).

## B

Having articulated the legal principles that govern our analysis, we turn to the particular facts of this case. To begin with, Rasta’s banana costume is a “useful article.” The artistic features of the costume, in combination, prove both separable and capable of independent existence as a copyrightable work: a sculpture. Those sculptural features include the banana’s combination of colors, lines, shape, and length. They do not include the cutout holes for the wearer’s arms, legs, and face; the holes’ dimensions; or the holes’ locations on the costume, because those features are utilitarian. Although more difficult to imagine separately from the costume’s non-appearance related utility (i.e., wearability) than many works, one can still imagine the banana apart from the costume as an original sculpture. That sculpted banana, once split from the costume, is not intrinsically utilitarian and does not merely replicate the costume, so it may be copyrighted.

Kangaroo responds that we must inspect each feature individually, find each one too unoriginal or too utilitarian in isolation for copyright, and decline to protect the whole. But *Kay Berry* forecloses this divide-and-conquer approach by training our focus on the combination of design elements in a work. And the *Star Athletica* Court did not cherry-pick the uniform designs’ colors, shapes, or lines; it too evaluated their combination. Thus, the separately imagined banana—the sum of its non-utilitarian parts—is copyrightable.

Kangaroo also contends the banana is unoriginal because its designers based the design on a natural banana. They ask us to hold that depictions of natural objects in their natural condition can never be copyrighted. This argument seeks to raise the originality requirement’s very low bar, which precedent forecloses for good reason. A judge’s own aesthetic judgments must play no role in copyright analysis. See *Star Athletica*, 137 S. Ct. at 1015. “Our inquiry is limited to how the article and feature[s] are perceived, not how or why they were designed.” *Id.* The cases Kangaroo cites in its brief confirm that whether natural objects are copyrightable depends on the circumstances. Compare *Satava v. Lowry*, 323 F.3d 805, 810 (9th Cir. 2003) (holding that a sculpture of a jellyfish was not copyrightable)<sup>15</sup>, with *Coquico, Inc. v. Rodriguez-Miranda*, 562 F.3d 62, 69 (1st Cir. 2009) (holding that several elements of a plush toy depicting a tree frog were copyrightable). The essential question is whether the depiction of the natural object has a minimal level of creativity. Rasta’s banana meets those requirements.

We therefore hold that the banana costume’s combination of colors, lines, shape, and length (i.e., its artistic features) are both separable and capable of independent existence, and thus are copyrightable.

\* \* \*

Because Rasta established a reasonable likelihood that it could prove entitlement to protection for the veritable fruits of its intellectual labor, we will affirm.

## APPENDIX A

RASTA IMPOSTA



KANGAROO ITEM 10477



KANGAROO ITEM 10478



Some things to consider when reading *Lanard Toys*:

1. The court's discussion of *Star Athletica* and its application of *Star Athletica*'s two-part test to the useful article at issue in this case, a toy chalk holder designed to look like a pencil, a form of sculptural work. Note that generally the useful article doctrine comes up with respect to useful articles that are purported to be copyrighted "sculptural works."
2. The court's application of the "idea-expression dichotomy" as an additional ground for finding that the plaintiff does not own a valid copyright for its pencil-shaped chalk holder.
3. That the plaintiff also asserted a design patent claiming a pencil-shaped chalk holder.
4. The similarities between the facts of this case (chalkholder that looks like a pencil) and *Silvertop Assocs.* (a costume that looks like a banana). Note that the court arrives at the opposite outcome in this case. Can you reconcile the decisions?

### *Lanard Toys Ltd. v. Dolgencorp LLC*

958 F.3d 1337 (Fed. Cir. May 14, 2020)



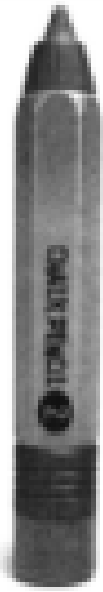
LOURIE, Circuit Judge.

Lanard Toys Limited ("Lanard") appeals from the decision of the United States District Court for the Middle District of Florida granting summary judgment in favor of Dolgencorp LLC, Ja-Ru, Inc., and Toys "R" Us-Delaware, Inc. (collectively, "Appellees") with respect to Lanard's claims for design patent infringement, copyright infringement, trade dress infringement, and statutory and common law unfair

competition. *Lanard Toys Ltd. v. Toys “R” Us-Delaware, Inc.*, No. 3:15-cv-849-J-34PDB, 2019 WL 1304290 (M.D. Fla. Mar. 21, 2019) (“Decision”). For the reasons described below, we affirm.

**BACKGROUND**

Lanard makes and sells the “Lanard Chalk Pencil,” which is a toy chalk holder designed to look like a pencil. Lanard owns Design Patent D671,167 (the “D167 patent”), which contains five figures showing a pencil-shaped chalk holder from different angles. The D167 patent claims: “The ornamental design for a chalk holder, as shown and described.” Lanard also owns copyright Reg. VA 1-794-458 (the “’458 copyright”) for a work entitled “Pencil/Chalk Holder.” The relevant images are depicted below.

Lanard Chalk Pencil	D167 patent (Fig. 1)	'458 copyright (first image)
		

In 2011, Lanard began selling the Lanard Chalk Pencil to Dolgencorp LLC (“Dolgencorp”), which is a national distributor. In 2012, Lanard began selling the Lanard Chalk Pencil to Toys “R” Us-Delaware, Inc. (“TRU”), which was a large toy retailer with stores throughout the United States. All Lanard Chalk Pencils sold to Dolgencorp and TRU were marked to indicate Lanard’s copyright and patent (or pending patent) protection.

In 2012, Ja-Ru, Inc. (“Ja-Ru”) designed a toy chalk holder that looks like a pencil.



It is undisputed that Ja-Ru used the Lanard Chalk Pencil as a reference sample in designing its product. In late 2013, Dolgencorp and TRU stopped ordering units of the Lanard Chalk Pencil and instead began ordering and selling the Ja-Ru product.

The court granted summary judgment that Ja-Ru's product does not infringe the D167 patent, that the '458 copyright is invalid and alternatively not infringed by Ja-Ru's product, that Ja-Ru's product does not infringe Lanard's trade dress, and that Lanard's unfair competition claims fail because its other claims fail.

## DISCUSSION

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## II

Next, we turn to Lanard's claim for copyright infringement. For the following reasons, we agree with the district court that Lanard does not own a valid copyright, and, therefore, we need not reach the issue of infringement.

As the district court found, Lanard's '458 copyright for a "Pencil/Chalk Holder" has an intrinsic utilitarian function—storing and holding chalk and facilitating writing or drawing—which makes it a useful article under the Copyright Act. Thus, as the district court noted, the pertinent question is whether the copyright incorporates features that are sufficiently "separable" from the utilitarian aspects of the article to be eligible for copyright protection. *Star Athletica, L.L.C. v. Varsity Brands, Inc.*, 137 S. Ct. 1002, 1008 (2017)). In resolving that question, the court found that:

[T]he pencil design does not merely encase or disguise the chalk holder, it is the chalk holder. When



one imagines the pencil design as a separate work of sculptural art, one is merely picturing a replica of the chalk holder.

Based on that finding, the court concluded that the features of Lanard's copyright "are not capable of 'existing independently' as a work of art, and therefore, it is not protectable under copyright law." (quoting *Star Athletica*, 137 S. Ct. at 1011).

Lanard argues that its '458 copyright is a cartoonish No. 2 pencil design that can be perceived as a sculptural work separate from its function as a chalk holder and would qualify as a protectable work on its own if imagined in another medium separate from its utility as a chalk holder. Appellees respond that Lanard cannot identify any feature incorporated into the design of its copyright that is separate from the utilitarian chalk holder and that Lanard is merely attempting to assert copyright protection over the useful article itself.

We agree with Appellees. In attempting to identify separable features, "the feature cannot itself be a useful article." *Star Athletica*, 137 S. Ct. at 1010. Here, Lanard's '458 copyright is for the chalk holder itself, and Lanard's arguments in the district court and in this appeal merely confirm that it seeks protection for the dimensions and shape of the useful article itself. Because the chalk holder itself is not copyright protectable, Lanard cannot demonstrate that it holds a valid copyright.

Furthermore, the '458 copyright shows images that appear to be a pencil with the words "Chalk Pencil" on it, and the copyright is titled "Pencil/Chalk Holder." Based on that limited information, in conjunction with its arguments in the district court and this appeal, Lanard is essentially seeking to assert protection over any and all expressions of the idea of a pencil-shaped chalk holder. But copyright protection does not extend to an "idea." 17 U.S.C. § 102(b). For this additional reason, we conclude as a matter of law that Lanard does not own a valid copyright for a pencil-shaped chalk holder. Thus, we hold that the district court correctly granted summary judgment in favor of Appellees on Lanard's claim for copyright infringement.

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## FOOTNOTES:

<sup>1</sup> Some courts and commentators prefer the term "idea-expression *distinction*," as opposed to dichotomy, see, e.g., *Mannion v. Coors Brewing Co.*, 377 F. Supp. 2d 444, 458 (S.D.N.Y. 2005) and Cohen, Julie E. *et al.*, COPYRIGHT IN A GLOBAL INFORMATION ECONOMY, Fifth Edition (2019) at 80.

<sup>2</sup> 101 U.S. 99 (1879).

<sup>3</sup> The concept of "thin" copyright protection was specifically addressed in *Feist*.

<sup>4</sup> Editor's note: The court is referring to the 1976 Act's preemption of state law claims that enforced rights "equivalent" to exclusive copyright protections when the work to which the state claim was being applied fell within the area of copyright protection. See 17 U.S.C. § 301.

<sup>5</sup> *Mattel, Inc. v. MGA Entm't, Inc.*, 616 F.3d 904, 913-14 (9th Cir. 2010).

[6](#) Editor's note: The court is implicitly invoking the doctrine of thin protection.

[7](#) Standard elements sometimes are called “scenes a faire,” vaguely French for “scenes which ‘must’ be done.”

[8](#) Editor's note: The court is implicitly holding that Kregg's forms will be afforded thin protection.

[9](#) 17 U.S.C. § 101.

[10](#) 17 U.S.C. § 201(b).

[11](#) *Kieselstein-Cord v. Accessories by Pearl, Inc.*, 632 F.2d 989 (2d Cir.1980) (ornamental aspects of belt buckle were conceptually separate from their subsidiary utilitarian function and copyrightable).

[12](#) *Carol Barnhart Inc. v. Economy Cover Corp.*, 773 F.2d 411 (2d Cir.1985) (denying protection to mannequins as useful articles).

[13](#) *Brandir Int'l, Inc. v. Cascade Pac. Lumber Co.*, 834 F.2d 1142 (2d Cir. 1987) (denying protection to “flowing ribbon” bicycle rack as a useful article).

[14](#) *Universal Furniture Int'l, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417 (4th Cir. 2010), as amended (Aug. 24, 2010) ( decorative elements of furniture designs conceptually separable from furniture's utilitarian aspect and copyrightable).

[15](#) Editor's note: The district court has misstated the holding in *Satava v. Lowry*, a decision that appeared earlier in this casebook.

# Chapter 5: Copyright Ownership and Authorship

## A. Transfer of Copyright

Copyright is a form of property right, and is generally treated as such under the law. Ownership of the copyright initially vests with the work's author or authors, but can subsequently be transferred to another, for example by assignment or inheritance.<sup>1</sup> Alternatively, a copyright owner can license the copyright to others, either in part or in its entirety. For example, the owner of the copyright in a science fiction novel could grant one company a license to the right to produce a movie based on the book, and grant a second company a license to create a videogame based on the book, while the owner retains all rights to reproduce and distribute the novel in the form of a book.

A license can be nonexclusive or exclusive. In the case of a nonexclusive license, the licensor (i.e., the copyright owner) retains the right to grant licenses to other nonexclusive licensees. In the case of an exclusive license, the licensor agrees not to license the work to any other party; in some cases, an exclusive license can be the functional equivalent of an assignment of the copyright, i.e., a transfer of the copyright in its entirety. The Second Circuit has expressed it as follows:

There are two general categories of licenses: non-exclusive licenses, which permit licensees to use the copyrighted material and may be granted to multiple licensees; and exclusive licenses, which grant to the licensee the exclusive right—superior even to copyright owners' rights—to use the copyrighted material in a manner as specified by the license agreement.

*Davis v. Blige*, 505 F.3d 90, 99 (2d Cir. 2007).

Section 204(a) of the Copyright Act requires that any transfer of copyright ownership, by exclusive license or assignment, must be in writing and signed by the copyright owner (or the owner's agent). The signed writing requirement does not apply to nonexclusive licenses, which are not considered a transfer of copyright ownership. Section 204(a), which is applied in the next case excerpted in this book, *Effects Assocs.*, recites:

A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner's duly authorized agent.

Some things to consider when reading *Effects Assocs.*:

1. The court's straightforward application of § 204(a), which requires assignments to be in writing. The statute explicitly excludes nonexclusive licenses from this requirement, including implied nonexclusive

licenses.

2. The statutory basis for the exclusion of nonexclusive licenses from § 204(a).
3. The rationale behind the court's determination that there was an implied license.
4. As a practical matter, the party that prevailed with respect to the allegation of copyright infringement.
5. The fact that Cohen still has a cause of action for breach of contract. Why is he suing for copyright infringement rather than simply suing for breach of contract?

## *Effects Assocs., Inc. v. Cohen*

908 F.2d 555 (9th Cir. 1990)

KOZINSKI, Circuit Judge:

What we have here is a failure to compensate. Larry Cohen, a low-budget horror movie mogul, paid less than the agreed price for special effects footage he had commissioned from Effects Associates. Cohen then used this footage without first obtaining a written license or assignment of the copyright; Effects sued for copyright infringement. We consider whether a transfer of copyright without a written agreement, an arrangement apparently not uncommon in the motion picture industry, conforms with the requirements of the Copyright Act.

### **Facts**

This started out as a run-of-the-mill Hollywood squabble. Defendant Larry Cohen wrote, directed and executive produced "The Stuff," a horror movie with a dash of social satire: Earth is invaded by an alien life form that looks (and tastes) like frozen yogurt but, alas, has some unfortunate side effects—it's addictive and takes over the mind of anyone who eats it. Marketed by an unscrupulous entrepreneur, the Stuff becomes a big hit. An industrial spy hired by ice cream manufacturers eventually uncovers the terrible truth; he alerts the American people and blows up the yogurt factory, making the world safe once again for lovers of frozen confections.

In cooking up this gustatory melodrama, Cohen asked Effects Associates, a small special effects company, to create footage to enhance certain action sequences in the film. In a short letter dated October 29, 1984, Effects offered to prepare seven shots, the most dramatic of which would depict the climactic explosion of the Stuff factory. Cohen agreed to the deal orally, but no one said anything about who would own the copyright in the footage.

Cohen was unhappy with the factory explosion Effects created, and he expressed his dissatisfaction by paying Effects only half the promised amount for that shot. Effects made several demands for the rest of the money (a little over \$8,000), but Cohen refused. Nevertheless, Cohen incorporated Effects's footage into the film and turned it over to New World Entertainment for distribution. Effects then brought this copyright infringement action, claiming that Cohen (along with his production company and New World) had no right to use the special effects footage unless he paid Effects the full contract price.

The district court granted summary judgment to Cohen on the infringement claim, holding that Effects had

granted Cohen an implied license to use the shots. We review the district court's grant of summary judgment de novo.

## Discussion

### A. Transfer of Copyright Ownership

The law couldn't be clearer: The copyright owner of "a motion picture or other audiovisual work" has the exclusive rights to copy, distribute or display the copyrighted work publicly. 17 U.S.C. § 106 (1988). While the copyright owner can sell or license his rights to someone else, section 204 of the Copyright Act invalidates a purported transfer of ownership unless it is in writing. 17 U.S.C. § 204(a) (1988). Here, no one disputes that Effects is the copyright owner of the special effects footage used in "The Stuff," and that defendants copied, distributed and publicly displayed this footage without written authorization.

Cohen suggests that section 204's writing requirement does not apply to this situation, advancing an argument that might be summarized, tongue in cheek, as: Moviemakers do lunch, not contracts. Cohen concedes that "[i]n the best of all possible legal worlds" parties would obey the writing requirement, but contends that moviemakers are too absorbed in developing "joint creative endeavors" to "focus upon the legal niceties of copyright licenses." Thus, Cohen suggests that we hold section 204's writing requirement inapplicable here because "it [i]s customary in the motion picture industry ... not to have written licenses." To the extent that Cohen's argument amounts to a plea to exempt moviemakers from the normal operation of section 204 by making implied transfers of copyrights "the rule, not the exception," we reject his argument.

Common sense tells us that agreements should routinely be put in writing. This simple practice prevents misunderstandings by spelling out the terms of a deal in black and white, forces parties to clarify their thinking and consider problems that could potentially arise, and encourages them to take their promises seriously because it's harder to backtrack on a written contract than on an oral one. Copyright law dovetails nicely with common sense by requiring that a transfer of copyright ownership be in writing. Section 204 ensures that the creator of a work will not give away his copyright inadvertently and forces a party who wants to use the copyrighted work to negotiate with the creator to determine precisely what rights are being transferred and at what price. Most importantly, section 204 enhances predictability and certainty of copyright ownership—"Congress' paramount goal" when it revised the Act in 1976. *Community for Creative Non-Violence*, 109 S.Ct. at 2177. Rather than look to the courts every time they disagree as to whether a particular use of the work violates their mutual understanding, parties need only look to the writing that sets out their respective rights.

Section 204's writing requirement is not unduly burdensome; it necessitates neither protracted negotiations nor substantial expense. The rule is really quite simple: If the copyright holder agrees to transfer ownership to another party, that party must get the copyright holder to sign a piece of paper saying so. It doesn't have to be the Magna Charta; a one-line pro forma statement will do.

[Section 101's definition a "work made for hire"] specifically addresses the movie and book publishing industries, affording moviemakers a simple, straightforward way of obtaining ownership of the copyright in a creative contribution—namely, a written agreement. The Supreme Court and this circuit, while recognizing the custom and practice in the industry, have refused to permit moviemakers to sidestep

section 204's writing requirement. Accordingly, we find unpersuasive Cohen's contention that section 204's writing requirement, which singles out no particular group, somehow doesn't apply to him. As section 204 makes no special allowances for the movie industry, neither do we.

### **B. Nonexclusive Licenses**

Although we reject any suggestion that moviemakers are immune to section 204, we note that there is a narrow exception to the writing requirement that may apply here. Section 204 provides that all transfers of copyright ownership must be in writing; section 101 defines transfers of ownership broadly, but expressly removes from the scope of section 204 a "nonexclusive license." The sole issue that remains, then, is whether Cohen had a nonexclusive license to use plaintiff's special effects footage.

The leading treatise on copyright law states that "[a] nonexclusive license may be granted orally, or may even be implied from conduct." 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 10.03[A], at 10–36 (1989). Cohen relies on the latter proposition; he insists that, although Effects never gave him a written or oral license, Effects's conduct created an implied license to use the footage in "The Stuff."

Cohen relies largely on our decision in *Oddo v. Ries*, 743 F.2d 630 (9th Cir.1984). There, we held that Oddo, the author of a series of articles on how to restore Ford F-100 pickup trucks, had impliedly granted a limited non-exclusive license to Ries, a publisher, to use plaintiff's articles in a book on the same topic. We relied on the fact that Oddo and Ries had formed a partnership to create and publish the book, with Oddo writing and Ries providing capital. Oddo prepared a manuscript consisting partly of material taken from his prior articles and submitted it to Ries. Because the manuscript incorporated pre-existing material, it was a derivative work; by publishing it, Ries would have necessarily infringed the copyright in Oddo's articles, unless Oddo had granted him a license. We concluded that, in preparing and handing over to Ries a manuscript intended for publication that, if published, would infringe Oddo's copyright, Oddo "impliedly gave the partnership a license to use the articles insofar as they were incorporated in the manuscript, for without such a license, Oddo's contribution to the partnership venture would have been of minimal value."

The district court agreed with Cohen, and we agree with the district court: *Oddo* controls here. Like the plaintiff in *Oddo*, Effects created a work at defendant's request and handed it over, intending that defendant copy and distribute it. To hold that Effects did not at the same time convey a license to use the footage in "The Stuff" would mean that plaintiff's contribution to the film was "of minimal value," a conclusion that can't be squared with the fact that Cohen paid Effects almost \$56,000 for this footage. Accordingly, we conclude that Effects impliedly granted nonexclusive licenses to Cohen and his production company to incorporate the special effects footage into "The Stuff" and to New World Entertainment to distribute the film.

### **Conclusion**

We affirm the district court's grant of summary judgment in favor of Cohen and the other defendants. We note, however, that plaintiff doesn't leave this court empty-handed. Copyright ownership is comprised of a bundle of rights; in granting a nonexclusive license to Cohen, Effects has given up only one stick from that bundle—the right to sue Cohen for copyright infringement. It retains the right to sue him in state court on a variety of other grounds, including breach of contract. Additionally, Effects may license, sell or give away for nothing its remaining rights in the special effects footage. Those rights may not be particularly valuable, of course: "The Stuff" was something less than a blockbuster, and it remains to be seen whether there's a

market for shots featuring great gobs of alien yogurt oozing out of a defunct factory. On the other hand, the shots may have much potential for use in music videos. In any event, whatever Effects chooses to do with the footage, Cohen will have no basis for complaining. And that's an important lesson that licensees of more versatile film properties may want to take to heart.

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## Check Your Understanding – *Effects Assocs.*

**Question 1.** Why did the court reject Cohen's argument that Effects Assocs. had orally transferred ownership of the special effects footage to Cohen?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-48>

**Question 2.** Why did the court find that Cohen had an implied license to use the copyrighted special effects footage?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-49>

**Question 3.** True or false: Because Cohen has an implied license to the copyrighted special effects footage, Effects will not be able to license or sell the footage to another movie producer.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-50>

Determining authorship can be a simple matter in the case of a solo author, such as the sole author of a novel or musical work. However, things can get quite complicated when multiple parties collaborate in the creation of an expressive work, or when the work was created by someone who was hired by someone else to create the work, i.e., a “work made for hire.” These two scenarios are addressed below.

## B. Joint Authorship

The Copyright Act defines a joint work as “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. § 101. On its face, this definition, in combination with the low bar for originality set forth in cases like *Feist*, would seem to confer authorship on even those who make a relatively small contribution to the copyrighted work. Consider, for example, the production of a major motion picture. A large number of individuals contribute to the making of the movie, all with the intent that their contributions be merged into the final product. Are all of these contributors joint authors, so long as they made a contribution that meets the “modicum of creativity” standard set forth in *Feist*? If so, they would be co-owners in the copyright to the movie (§ 201(a) of the Copyright Act provides that “[t]he authors of a joint work are co-owners of copyright in the work.”).

If that were the case, the practical consequences would be enormous. The co-owners of copyright in a work each hold an equal and undivided interest in the work. As such, each author shares the right to commercially exploit the work, including the right to unilaterally grant nonexclusive licenses to the work to third parties, without the consent of other authors, subject only to a duty to account to the other authors for any profits received. Imagine the consequences if each contributor to a major motion picture was able to independently exploit and license the movie—as a practical matter, the value of the copyright would be substantially weakened, and with it the incentive for investing in creative endeavors of that type.

Courts have addressed this concern by interpreting the statute in a manner that generally limits authorship to the “dominant author” behind a copyrighted work (sometimes referred to as the “mastermind”), along with those individuals (if any) that the dominant author intended to include as co-authors. Note that the Copyright Act provides no explicit support for a requirement that the parties intend to be co-authors—the statute simply requires an intent that their contributions be merged. But for public policy reasons, a number of courts have interpreted the statute in a manner that substantially precludes contributors to the work, other than those the dominant author intends, from claiming ownership as co-authors. We see an example of this in the following decision.

Some things to consider when reading *Thomson*:

1. The Copyright Act defines a “joint work” as “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” Note that while the statute literally requires an “intent to merge contributions,” in *Thomson*, the court adopts the *Childress* interpretation of the statute, i.e., that the statute requires an “intent of co-authorship.” Is this interpretation supported by the plain language of the statute? What is the policy behind the *Childress* interpretation? Do you agree with this interpretation?
2. The two prongs of the *Childress* test for co-authorship. Which prong did *Thomson* fail to establish, and why?
3. The consequence if *Thomson* had prevailed in her allegation that she had copyright in some of her contributions to the play. Why did the court decline to address the issue?



## *Thomson v. Larson*

147 F.3d 195 (2d Cir. 1998)

CALABRESI, Circuit Judge:

Plaintiff-appellant Lynn Thomson claims that, along with principal playwright Jonathan Larson, she co-authored a “new version” of the critically acclaimed Broadway musical *Rent*. Since Thomson and Larson did not specify their respective rights by contract, this case raises two issues: (1) whether *Rent* qualifies as a statutory “joint work,” co-authored by Thomson; and (2) whether, even if Thomson is not deemed a co-author, she automatically retains exclusive copyright interests in the material she contributed to the work. The first question is squarely answered by the nuanced co-authorship test announced in *Childress v. Taylor*, 945 F.2d 500 (2d Cir.1991), and, on that basis, we affirm the district court’s conclusion that Thomson is not a co-author of *Rent*. The second question—ownership of a copyright (in the absence of any written contract) in a “non-co-author’s” contribution to a work—was not addressed in *Childress*. Because Thomson did not plead infringement of any such putative copyright interest, however, this issue is not properly before us, and so we do not decide it.

### BACKGROUND

The facts given below and found by the district court are essentially uncontested.

*Rent*, the Pulitzer Prize and Tony Award-winning Broadway modern musical based on Puccini’s opera *La Bohème*, began in 1989 as the joint project of Billy Aronson and composer Jonathan Larson. Aronson and Larson collaborated on the work until their amicable separation in 1991. At that time, Larson obtained Aronson’s permission to develop the play on his own. By written agreement, Larson promised that the title would always be “RENT a rock opera by Jonathan Larson. Original concept and additional lyrics by Billy Aronson.” In return, Aronson agreed that he would “not ... be considered [an] active collaborator or co-author of RENT.”

In the summer of 1992, Larson’s *Rent* script was favorably received by James Nicola, Artistic Director of the New York Theatre Workshop (“NYTW”), a non-profit theater company in the East Village. Larson continued to develop and revise the “workshop version” of his *Rent* script. In the spring of 1993, Nicola urged Larson to allow the NYTW to hire a playwright or a bookwriter to help revamp the storyline and narrative structure of the play. But Larson “absolutely, vehemently and totally rejected [Nicola’s] suggestion of hiring a bookwriter” and “was insistent on making RENT entirely his own project.” Larson received a grant in the spring of 1994 to pay for a workshop production of *Rent*, which was presented to the public in the fall of 1994 in a series of ten staged performances produced by the NYTW and directed by Michael Greif. “[T]he professional consensus concerning the show, after the studio production, was that it was, at a minimum, very promising and that it needed a great deal of work.” Artistic Director Nicola once again suggested to Larson that he consider working with a bookwriter, which Larson “adamantly and steadfastly refused, consistently emphasizing his intention to be the only author of RENT.”

In May 1995, in preparation for *Rent*’s off-Broadway opening scheduled for early 1996, Larson agreed to the NYTW’s hiring of Lynn Thomson, a professor of advanced playwrighting at New York University, as a

dramaturg<sup>2</sup> to assist him in clarifying the storyline of the musical. Thomson signed a contract with the NYTW, in which she agreed to provide her services with the workshop production from May 1, 1995, through the press opening, scheduled for early February of 1996. The agreement stated that Thomson's "responsibilities shall include, but not be limited to: Providing dramaturgical assistance and research to the playwright and director." In exchange, the NYTW agreed to pay "a fee" of \$2000, "[i]n full consideration of the services to be rendered" and to provide for billing credit for Thomson as "Dramaturg." The Thomson/ NYTW agreement was silent as to any copyright interests or any issue of ownership with respect to the final work.

In the summer and fall of 1995, Thomson and Larson worked extremely intensively together on the show. For the most part, the two worked on the script alone in Larson's apartment. Thomson testified that revisions to the text of *Rent* didn't begin until early August 1995. Larson himself entered all changes directly onto his computer, where he kept the script, and Thomson made no contemporaneous notes of her specific contributions of language or other structural or thematic suggestions. Thomson alludes to the "October Version" of *Rent* as the culmination of her collaborative efforts with Larson. That new version was characterized by experts as "a radical transformation of the show."

A "sing-through" of the "October Version" of *Rent* took place in early November 1995. And on November 3, 1995, Larson signed a contract with the NYTW for ongoing revisions to *Rent*. This agreement identified Larson as the "Author" of *Rent* and made no reference to Thomson. The contract incorporated by reference an earlier draft author's agreement that set forth the terms that would apply if the NYTW opted to produce *Rent*. The earlier draft author's agreement gave Larson approval rights over all changes in text, provided that any changes in text would become his property, and assured him billing as "sole author."

The final dress rehearsal was held on January 24, 1996. Just hours after it ended, Larson died suddenly of an aortic aneurysm. Over the next few weeks, Nicola, Greif, Thomson, and musical director Tim Weil worked together to fine-tune the script. The play opened off-Broadway on February 13, 1996, to rave reviews. On February 23, *Rent*'s move to Broadway was announced. Since its opening on Broadway on April 29, 1996, the show has been "an astounding critical, artistic, and commercial success."

Before the Broadway opening, Thomson, in view of her contributions to *Rent*, sought compensation and title page dramaturgical credit from the Broadway producers. And on April 2, 1996, she signed a contract in which the producers agreed to pay her \$10,000 plus a nominal \$50/ week for her dramaturgical services. Around the same time, upon the producers' advice, Thomson approached Allan S. Larson, Nanette Larson, and Julie Larson McCollum ("Larson Heirs"), the surviving members of Jonathan Larson's family, to request a percentage of the royalties derived from the play. In a letter to the Larson family, dated April 8, 1996, Thomson stated that she believed Larson, had he lived, would have offered her a "small percentage of his royalties to acknowledge the contribution I made." In reply, the Larson Heirs offered Thomson a gift of 1% of the author's royalties. Negotiations between Thomson and the Larson Heirs, however, broke down.

After the parties failed to reach a settlement, Thomson brought suit against the Larson Heirs, claiming that she was a co-author of *Rent* and that she had never assigned, licensed, or otherwise transferred her rights. Thomson sought declaratory relief and a retroactive and on-going accounting under the Copyright Act. Specifically, she asked that the court declare her a "co-author" of *Rent* and grant her 16% of the author's share of the royalties.<sup>3</sup>

A bench trial was held in the United States District Court for the Southern District of New York (Lewis A. Kaplan, *Judge*) from July 18–23, 1997. In a decision rendered from the bench, Judge Kaplan concluded that Thomson was not a joint author of *Rent* and dismissed the remainder of Thomson’s complaint.

On appeal, Thomson concedes that she has “virtually no disagreement with the District Court’s findings with respect to what happened between her and Jon Larson, or with respect to the evidence of Larson’s intent.” Instead, the focus of Thomson’s appeal is on whether the district court correctly applied the *Childress* test of co-authorship, and, secondarily, whether the district court’s declaration that Thomson is not a co-author nevertheless means that she retains exclusive copyright interests in any material that she contributed to the work.

## DISCUSSION

The district court properly defined the principal question in this case as: “not whether Lynn Thomson made a great contribution to the show. It is not whether she has been or ought to be compensated differently than she has been compensated. It is about whether what happened between Lynn Thomson and Jon Larson met the statutory definition as it has been construed by the higher courts of a joint work.” In analyzing this issue, the district court made numerous findings of fact and then applied the *Childress* test to these facts.

### I. THOMSON’S CO-AUTHORSHIP CLAIM

#### A. Statutory Definition of “Joint Work”

Thomson’s request for a declaratory judgment establishing her co-authorship under the Copyright Act of 1976, 17 U.S.C. §§ 101 *et seq.*, requires us to interpret and apply the copyright ownership provisions of the Act. The Copyright Act defines a “joint work” as “a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. § 101 (1994). The touchstone of the statutory definition “is the intention at the time the writing is done that the parts be absorbed or combined into an integrated unit.”

Joint authorship entitles the co-authors to equal undivided interests in the whole work—in other words, each joint author has the right to use or to license the work as he or she wishes, subject only to the obligation to account to the other joint owner for any profits that are made. See 17 U.S.C. § 201(a); *Childress*, 945 F.2d at 508; *Community for Creative Non-Violence v. Reid*, 846 F.2d 1485, 1498 (D.C.Cir.1988) (“Joint authors co-owning copyright in a work are deemed to be tenants in common, with each having an independent right to use or license the copyright, subject only to a duty to account to the other co-owner for any profits earned thereby.”).

#### B. *Childress* Requirements

In *Childress v. Taylor*, our court interpreted this section of the Act and set forth “standards for determining when a contributor to a copyrighted work is entitled to be regarded as a joint author” where the parties have failed to sign any written agreement dealing with coauthorship. While the Copyright Act states only that co-authors must intend that their contributions “be merged into ... a unitary whole,” in *Childress*, Judge Newman explained why a more stringent inquiry than the statutory language would seem to suggest is required:

[A]n inquiry so limited would extend joint author status to many persons who are not likely to have been within the contemplation of Congress. For example, a writer frequently works with an editor who makes numerous useful revisions to the first draft, some of which will consist of additions of copyrightable expression. Both intend their contributions to be merged into inseparable parts of a unitary whole, yet very few editors and even fewer writers would expect the editor to be accorded the status of joint author, enjoying an undivided half interest in the copyright in the published work.

The facts of *Childress* highlighted this concern with “overreaching” contributors. Actress Clarice Taylor wrote a script based on the life of legendary comedienne Jackie “Moms” Mabley, but Taylor was unable to get it produced as a play. Taylor convinced playwright Alice Childress to rescue the project by writing a new script. After Childress’ completion of the script, Taylor took a copy of Childress’ copyrighted play and produced it at another theater without permission. Childress sued Taylor for copyright infringement, and Taylor asserted a defense of co-authorship.

The court concluded that there was “no evidence that [Taylor’s contribution] ever evolved into more than the helpful advice that might come from the cast, the directors, or the producers of any play.” On that basis, the court upheld a grant of summary judgment for Childress.

The potential danger of allowing anyone who makes even a minimal contribution to the writing of a work to be deemed a statutory co-author—as long as the two parties intended the contributions to merge—motivated the court to set forth a two-pronged test. A co-authorship claimant bears the burden of establishing that each of the putative co-authors (1) made independently copyrightable contributions to the work; and (2) fully intended to be co-authors. The court attempted to strike a balance between ensuring that true collaborators in the creative process are accorded the perquisites of co-authorship, while at the same time, guarding against the risk that a sole author is denied exclusive authorship status simply because another person renders some form of assistance.

### 1. *Independently Copyrightable Contributions*

*Childress* held that collaboration alone is not sufficient to establish joint authorship. Rather, the contribution of each joint author must be independently copyrightable. It noted that this is “the position taken by the case law and endorsed by the agency administering the Copyright Act.”

Without making specific findings as to any of Thomson’s claims regarding lyrics or other contributions, the district court concluded that Thomson “made at least some non-*de minimis* copyrightable contribution,” and that Thomson’s contributions to the *Rent* libretto were “certainly not zero.” Once having said that, the court decided the case on the second *Childress* prong—mutual intent of co-authorship. It hence did not reach the issue of the individual copyrightability of Thomson’s varied alleged contributions (plot developments, thematic elements, character details, and structural components).

### 2. *Intent of the Parties*

#### a. *Mutual Intent Requirement*

*Childress* mandates that the parties “entertain in their minds the concept of joint authorship.” This requirement of mutual intent recognizes that, since coauthors are afforded equal rights in the co-authored

work, the “equal sharing of rights should be reserved for relationships in which all participants fully intend to be joint authors.”

The *Childress* rule of mutual co-authorship intent has subsequently been followed in this circuit and elsewhere. See, e.g., *Erickson v. Trinity Theatre, Inc.*, 13 F.3d 1061, 1068–69 (7th Cir.1994) (adopting *Childress*, and noting that “reliance on collaboration alone ... would be incompatible with the clear statutory mandate” that there be intent to create a joint work).

*Childress* and its progeny, however, do not explicitly define the nature of the necessary intent to be co-authors. The court stated that “[i]n many instances, a useful test will be whether, in the absence of contractual arrangements concerning listed authorship, each participant intended that all would be identified as co-authors.” But it is also clear that the intention standard is not strictly subjective. In other words, co-authorship intent does not turn solely on the parties’ own words or professed state of mind. Rather, the *Childress* court suggested a more nuanced inquiry into factual indicia of ownership and authorship, such as how a collaborator regarded herself in relation to the work in terms of billing and credit, decisionmaking, and the right to enter into contracts. In this regard, the court stated that “[t]hough joint authorship does not require an understanding by the co-authors of the legal consequences of their relationship, obviously some distinguishing characteristic of the relationship must be understood for it to be the subject of their intent.”

Finally, the *Childress* court emphasized that the requirement of intent is particularly important where “one person ... is indisputably the dominant author of the work and the only issue is whether that person is the sole author or she and another ... are joint authors.” “Care must be taken ... to guard against the risk that a sole author is denied exclusive authorship status simply because another person render[s] some form of assistance.”

Thomson intimates that *Childress*’s stringent mutual intent standard is properly limited, by its facts, to cases involving claimants who have made “minimal contribution[s] to the writing of a work.” And she asserts that her purported *major* contribution of copyrightable expression to *Rent*, by itself, is evidence of Larson’s intent that she be a co-author. Indeed, Thomson goes further and claims that this proof is enough to give her relationship with Larson the “distinguishing characteristics” needed to establish co-authorship. But *Childress* makes clear that the contribution even of significant language to a work does not automatically suffice to confer co-author status on the contributor. Under *Childress*, a specific finding of mutual intent remains necessary. We therefore turn to an examination of the factual indicia of ownership and authorship relevant to this inquiry, as they are defined in prior cases.

## *b. Evidence of Larson’s Intent*

### *i. Decisionmaking Authority*

An important indicator of authorship is a contributor’s decisionmaking authority over what changes are made and what is included in a work.

The district court determined that Larson “retained and intended to retain at all times sole decision-making authority as to what went into [*Rent*].” In support of its conclusion, the court relied upon Thomson’s statement that she was “flattered that [Larson] was asking [her] to contribute actual language to the text”

and found that this statement demonstrated that even Thomson understood “that the question whether any contribution she might make would go into the script was within Mr. Larson’s sole and complete discretion.” Moreover, as the court recognized, the November agreement between Larson and the NYTW expressly stated that Larson had final approval over all changes to *Rent* and that all such changes would become Larson’s property.

#### ii. Billing

In discerning how parties viewed themselves in relation to a work, *Childress* also deemed the way in which the parties bill or credit themselves to be significant. As the district court noted, “billing or credit is ... a window on the mind of the party who is responsible for giving the billing or the credit.” And a writer’s attribution of the work to herself alone is persuasive proof that she intended this particular piece to represent her own individual authorship and is *prima facie* proof that the work was not intended to be joint.

Thomson claims that Larson’s decision to credit her as “dramaturg” on the final page of *Rent* scripts reflected some co-authorship intent. Thomson concedes that she never sought equal billing with Larson, but argues that she did not need to do so in order to be deemed a statutory co-author.

The district court found, instead, that the billing was unequivocal: Every script brought to [the court’s] attention says “*Rent*, by Jonathan Larson.” In addition, Larson “described himself in the biography he submitted for the playbill in January 1996, nine days before he died, as the author/composer, and listed Ms. Thomson on the same document as dramaturg.” And while, as Ms. Thomson argues, it may indeed have been highly unusual for an author/composer to credit his dramaturg with a byline, we fail to see how Larson’s decision to style her as “dramaturg” on the final page in *Rent* scripts reflects a co-authorship intent on the part of Larson. The district court properly concluded that “the manner in which [Larson] listed credits on the scripts strongly supports the view that he regarded himself as the sole author.”

#### iii. Written Agreements with Third Parties

Just as the parties’ written agreements with each other can constitute evidence of whether the parties considered themselves to be co-authors, so the parties’ agreements with outsiders also can provide insight into co-authorship intent, albeit to a somewhat more attenuated degree.

The district court found that Larson “listed himself or treated himself as the author in the November 1995 revisions contract that he entered into with the NYTW, which in turn incorporated the earlier draft author’s agreement that had not been signed.” That agreement identifies Larson as *Rent*’s “Author” and does not mention Thomson. It also incorporates the terms of a September 1995 draft agreement (termed “Author’s Agreement”) that states that Larson “shall receive billing as sole author.” The district court commented, moreover, that “[t]he fact that [Larson] felt free to enter into the November 1995 contract on his own, without the consent of and without any reference to Ms. Thomson quite apart from whatever the terms of the agreements are, indicates that his intention was to be the sole author.”

#### iv. Additional Evidence

Beside relying on evidence that Larson retained decisionmaking authority over the final work, that he was billed as sole author, and that he entered into written agreements with third parties as sole author, the

district court found much other evidence that indicated a lack of intent on Larson's part to make Thomson a co-author.

Thus, at various times during the development of *Rent* (once shortly before Thomson was hired as dramaturg in the summer of 1995), Artistic Director Nicola suggested to Larson that he work with a bookwriter to assist him in the refinement of the script. Larson, however, "absolutely, vehemently and totally" rejected the idea of a bookwriter and was steadfast in his determination to make *Rent* "entirely his own project." The district court found that Larson's "rejection of a book writer ... speaks to Mr. Larson's intent[ ] ... [and] is part of a broader pattern that persuades me that Mr. Larson never intended the joint authorship relationship."

Moreover, the evidence before the district court established that Larson not only understood the concept of co-authorship, but that he had used the term "co-author" on two separate copyright applications for different versions of a screenplay he wrote in 1991 and 1992. Larson had also used the term "co-author" in the November 1993 written agreement with Billy Aronson, which provided that Aronson would "not ... be considered an active collaborator or co-author of *RENT*." On the basis of this evidence, the district court found that, while Larson "understood that the phrase 'co-author' was one freighted with legal significance[ ] ... there is absolutely no evidence whatever ... that [Larson] ever regarded himself as a co-author with Ms. Thomson of *Rent*."

Finally, the court relies on "an explicit discussion on the topic of co-authorship" that Thomson claims she and Larson had. According to Thomson's written trial testimony, the conversation was as follows:

I told him I was flattered that he was asking me to contribute actual language to the text. He responded by saying "Of course I want you to do that!" ... He then told me the following: "I'll always acknowledge your contribution," and "I would never say that I wrote what you did."

The district court found that the alleged conversation was "entirely consistent with Mr. Larson's view that he was the sole author and that Ms. Thomson ... was the dramaturg, which he conceived to be a different role."

### *c. Conclusion*

Based on all of the evidence, the district court concluded that "Mr. Larson never regarded himself as a joint author with Ms. Thomson." We believe that the district court correctly applied the *Childress* standards to the evidence before it and hold that its finding that Larson never intended co-authorship was not clearly erroneous.

## **II. THOMSON'S ALLEGED COPYRIGHT INTERESTS**

Thomson argues that, if she is not deemed to be a joint author of *Rent*, then "she must have all of the rights of a sole author with respect to her own contribution." On appeal, she asserts for the first time that the only alternative to finding co-authorship is to split a co-created work into its components—i.e., she must be entitled to withdraw her purported contributions. The National Writers Union, a trade union of freelance writers, and Literary Managers and Dramaturgs of the Americas, Inc., a professional association, as amici curiae in support of Thomson, further suggest that Thomson has grounds to file an infringement

suit relating to the same material on which her co-authorship claim is premised. Brief for *Amici Curiae* The National Writers Union and Literary Managers and Dramaturgs of the Americas, Inc. at 13 n.1.

Our circuit has not decided whether a person who makes a non-*de minimis* copyrightable contribution but cannot meet the mutual intent requirement of co-authorship, retains, in the absence of a work-for-hire agreement or of any explicit contractual assignment of the copyright, any rights and interests in his or her own contribution. This issue, however, was not presented to the district court by the parties. The only ground for relief asserted by Thomson was her purported co-authorship of *Rent*. Thomson's assertion that, if she is not deemed a co-author, she has exclusive rights with respect to the material that she contributed to *Rent*, is raised for the first time on appeal. Because these issues were not raised below and therefore are not properly before us, we express no opinion on them.

### CONCLUSION

The district court found that Jonathan Larson lacked the requisite intent to accept Lynn Thomson as a co-author of *Rent*. We hold that the district court properly applied the *Childress v. Taylor* test of co-authorship and that its factual finding with respect to Larson's intent is not clearly erroneous. We therefore affirm the judgment of the district court.

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## Check Your Understanding – *Thomson*

**Question 1.** Why did the court conclude that Thomson was not a co-author of *Rent*?



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**Question 2.** According to the *Thomson* court, what motivated the Second Circuit to set forth the two-pronged *Childress* test for co-authorship?



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**Question 3.** What would have been the consequence if the court concluded that Thomson was a co-author of *Rent*?





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In *Thomson*, the court expresses no opinion on the plaintiff's allegation that she had copyright in her contributions to the play. In the following decision, the same court (Second Circuit) takes up the issue.

Some things to consider when reading *16 Casa Duse*:

1. The question before the court is whether a contributor to a creative work whose contributions are inseparable from and integrated into the work maintain a copyright interest in his or her contributions alone.
2. The chain of events leading up to the lawsuit. Are there any lessons to be learned?
3. The plaintiff's request for an award of attorney's fees, a remedy available under § 505 of the Copyright Act. (Section 505 is addressed in more detail later in the book.)
4. On what basis was the court able to easily conclude that Merkin was not a co-author, and that this was not a "work made for hire"? (Works made for hire are addressed in more detail later in the book.)
5. What if Merkin had been able to successfully argue that he was a co-author of the film? Would that have helped him in achieving his apparent objectives?
6. On what basis does the Second Circuit come to the same conclusion as the en banc Ninth Circuit did in *Garcia*, i.e., a director's contribution to an integrated "work of authorship" such as a film is not itself a "work of authorship" subject to its own copyright protection?
7. On what basis does the court reject Merkin's assertion that he has copyright in the "raw film footage"? If Merkin had prevailed on this issue, what would have been the consequence for *16 Casa Duce*?

### *16 Casa Duse, LLC v. Merkin*

791 F.3d 247 (2d Cir. 2015)

SACK, Circuit Judge:

This is an appeal from a judgment of the United States District Court for the Southern District of New York granting summary judgment to the plaintiff on its copyright and state-law claims, dismissing the defendant's copyright counterclaims, and awarding the plaintiff costs and attorney's fees. Because we agree with the district court that the plaintiff owns the copyright to all versions of the work in question, a film entitled *Heads Up*, and that copyright does not subsist in individual contributions to that film, we conclude that the district court properly granted summary judgment to the plaintiff on its copyright claims and did not abuse its discretion in enjoining the defendant from interfering with the plaintiff's use of the film.

### **BACKGROUND**

Appellee 16 Casa Duse, LLC, (“Casa Duse”) is a film-production company based in Brooklyn, New York. The company is owned and operated by Robert Krakovski. Appellant Alex Merkin is a film director, producer, and editor.

In September 2010, Krakovski, acting at all relevant times as the principal of Casa Duse, purchased the rights to a screenplay entitled *Heads Up* from the work’s author, Ben Carlin. Krakovski, who planned to finance and produce a short film based on the screenplay, asked Merkin whether he would be willing to direct the film. Merkin agreed, and the two settled informally on a fee of \$1,500 for Merkin’s services.

In the ensuing months, Krakovski assembled a cast and crew for the film, also entitled *Heads Up*.

In February 2011, Krakovski sent Merkin a draft work-for-hire agreement entitled “Director Employment Agreement.” It provided, *inter alia*, that Casa Duse would own all rights in the film. Merkin acknowledged his receipt of the draft by e-mail, noting that he would ask his lawyer to review it. [Merkin never signed it.]

Despite the lack of a completed agreement, production began later that month. During production, which included three days of filming, Merkin performed his role as director by advising and instructing the film’s cast and crew on matters ranging from camera angles and lighting to wardrobe and makeup to the actors’ dialogue and movement.

In June 2011, Krakovski gave Merkin a hard drive containing the raw film footage in the hope that Merkin would be able to edit the footage.

In November 2011, Merkin sent Krakovski a letter “putting [Krakovski] on notice that [Merkin] forb[ade] any use whatsoever of the raw footage.” The letter conceded that Krakovski owned the screenplay but insisted that Merkin owned the “raw footage.” Merkin threatened to contact film festivals to inform them that Casa Duse lacked rights to the film in the event Krakovski did not assent.

In March 2012, Krakovski began submitting *Heads Up* to film festivals and making plans to publicize the film. To that end, he scheduled an invitation-only screening for approximately seventy persons at the New York Film Academy (“NYFA”) on April 18, 2012. Krakovski also organized a reception to follow at a nearby restaurant, City Crab, for which he paid a non-refundable deposit of \$1,956.58.

On the date of the event, the NYFA chairperson contacted Krakovski to tell him that Merkin’s attorney had threatened the NYFA with a cease-and-desist order to prevent the screening from proceeding. NYFA cancelled the screening in response to these threats, and Casa Duse lost its restaurant deposit. Casa Duse subsequently missed at least four film festival submission deadlines as a result of the dispute. Merkin did not return the hard drive, the DVDs, or the raw footage in any form.

## **DISCUSSION**

This case requires us to answer a question of first impression in this Circuit: May a contributor to a creative work whose contributions are inseparable from, and integrated into, the work maintain a copyright interest in his or her contributions alone? We conclude that, at least on the facts of the present case, he or she may not.

### **III. Copyright Claims**

Merkin argues that the district court erred in concluding, first, that Merkin could not copyright his creative contributions to the film, and, second, that he lacks copyright ownership of the “raw film footage.” Casa Duse responds that individual contributions to a film, such as direction, are not themselves subject to copyright protection and that Casa Duse retains sole copyright ownership of the film and the “raw footage,” to the extent the two are distinguishable for copyright purposes.

Two points merit mention at the outset.

First, the parties agree that Merkin is not a “joint author” or “co-author” of the film under the 1976 Copyright Act. If he were, that fact would likely prohibit his interference with Casa Duse’s use and display of the film, because “[o]ne joint owner cannot be liable for copyright infringement to another joint owner.” 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 6.10[A] (2015). A co-authorship claimant in our Circuit generally must show that “each of the putative co-authors (1) made independently copyrightable contributions to the work; and (2) fully intended to be co-authors. Even assuming the first prong is met here, we agree with the district court that “the record uniformly establishes that [Casa Duse], through its principal, Krakovski, never intended to share authorship of the film with Merkin or anyone else,” and “[t]here is also considerable evidence that Merkin never intended to be [Casa Duse’s] co-author.”

Second, the parties also agree that Merkin’s efforts cannot be deemed a “work made for hire.” A work-for-hire arrangement requires:

(1) a work prepared by an employee within the scope of his or her employment; or (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture[, or for other specified purposes] ... if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

Merkin was not Casa Duse’s employee, and the parties failed to execute a written agreement.

#### A. Copyright in Creative Contributions to a Work

We have never decided whether an individual’s non-*de minimis* creative contributions to a work in which copyright protection subsists, such as a film, fall within the subject matter of copyright, when the contributions are inseparable from the work and the individual is neither the sole nor a joint author of the work and is not a party to a work-for-hire arrangement. See *Thomson*, 47 F.3d at 206 (acknowledging open question and resolving case on alternative grounds). We answer that question in the negative on the facts of the present case, finding that the Copyright Act’s terms, structure, and history support the conclusion that Merkin’s contributions to the film do not themselves constitute a “work of authorship” amenable to copyright protection.

The Copyright Act does not define the term “works of authorship.” Section 102 of the Act, however, lists examples of categories of “works of authorship,” including “literary works,” 17 U.S.C. § 102(a)(1), “musical works,” *id.* § 102(a)(2), and—most relevant here—“motion pictures and other audiovisual works,” *id.* § 102(a)(6). This list is not exhaustive, but as we have previously observed, categories of creative efforts that are not “similar [or] analogous to any of the listed categories” are unlikely to fall within the subject matter of federal copyright protection. *Nat’l Basketball Ass’n v. Motorola, Inc.*, 105 F.3d 841, 846 (2d Cir.1997) (concluding that “basketball games do not fall within the subject matter of federal copyright protection because they do

not constitute ‘original works of authorship’ under 17 U.S.C. § 102(a).”). Motion pictures, like “pantomimes,” 17 U.S.C. § 102(a)(4), and “dramatic works,” *id.* § 102(a)(3), are works that may be expected to contain contributions from multiple individuals. See *Richlin v. Metro–Goldwyn–Mayer Pictures, Inc.*, 531 F.3d 962, 975 (9th Cir.2008) (“A motion picture is a work to which many contribute; however, those contributions ultimately merge to create a unitary whole.”). But the Act lists none of the constituent parts of any of these kinds of works as “works of authorship.” This uniform absence of explicit protection suggests that non-freestanding contributions to works of authorship are not ordinarily themselves works of authorship.

Other provisions of the Act support this conclusion. The Act’s definition of “joint work,” a work prepared by multiple authors “with the intention that their *contributions* be merged into inseparable or interdependent parts of a unitary whole,” 17 U.S.C. § 101 (emphasis added), suggests that such inseparable contributions are not themselves “works of authorship.” Copyright may subsist in contributions to a collective work, see *id.* § 201(c) (“Copyright in each separate contribution to a collective work is distinct from copyright in the collective work as a whole.”), but only when such contributions constitute “separate and independent” works. *Id.* § 101 (“A ‘collective work’ is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting *separate and independent works* in themselves, are assembled into a collective whole.” (emphasis added)). The requirement that contributions be “separate and independent” in order to obtain their own copyright protection also indicates that inseparable contributions integrated into a single work cannot separately obtain such protection.

The legislative history of the Copyright Act further supports this reading. According to the House Report on the 1976 Act:

[A] motion picture would normally be a joint rather than a collective work with respect to those authors who actually work on the film, although their usual status as employees for hire would keep the question of coownership from coming up. On the other hand, although a novelist, playwright, or songwriter may write a work with the hope or expectation that it will be used in a motion picture, this is clearly a case of separate or independent authorship rather than one where the basic intention behind the writing of the work was for motion picture use.

While issues of “coownership” of a copyright may arise in the motion picture context, the question of separate contributions meriting separate copyrights as “works” ordinarily would not, unless the motion picture incorporates separate, freestanding pieces that independently constitute “works of authorship.” In a joint work, “the separate elements [comprising the work] merge into a unified whole,” whereas in a collective work, individuals’ contributions “remain unintegrated and disparate.”

There was, until recently, some authority apparently to the contrary. The majority of a three-judge panel of the Ninth Circuit concluded that copyright protection may subsist in an actor’s performance in a motion picture. See *Garcia v. Google, Inc.*, 766 F.3d 929, 933–36 (9th Cir.), *rev’d en banc*, 786 F.3d 733 (9th Cir.2015) (“*Garcia (en banc)*”). In *Garcia*, as in the present case, an individual who made a contribution to a finished film—in that case, an actor—claimed ownership of a copyright interest in her contribution. The court reasoned that the actor’s performance exhibited at least a “minimal degree of creativity” such that the actor had probably engaged in an original act of authorship. And the performance was, in the court’s view, “fixed” in a tangible medium as part of the finished film.

An en banc panel reversed, concluding that the actor's "theory of copyright law would result in [a] legal morass[,] ... [making] Swiss cheese of copyrights." We agree. Filmmaking is a collaborative process typically involving artistic contributions from large numbers of people, including—in addition to producers, directors, and screenwriters—actors, designers, cinematographers, camera operators, and a host of skilled technical contributors. If copyright subsisted separately in each of their contributions to the completed film, the copyright in the film itself, which is recognized by statute as a work of authorship, could be undermined by any number of individual claims. These various contributors may make original artistic expressions, which are arguably fixed in the medium of film footage. But while originality and fixation are necessary prerequisites to obtaining copyright protection, they are not alone sufficient: Authors are not entitled to copyright protection except for the "works of authorship" they create and fix.

Our conclusion in the present case does not suggest that motion picture directors such as Merkin may never achieve copyright protection for their creative efforts. The director of a film may, of course, be the sole or joint author of that film, such that she or he can secure copyright protection for the work. See *Cmt. for Creative Non-Violence*, 490 U.S. at 737 ("As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection."); see also F. Jay Dougherty, *Not A Spike Lee Joint? Issues in the Authorship of Motion Pictures Under U.S. Copyright Law*, 49 UCLA L.Rev. 225, 312 (2001) ("[T]he director of the film is certainly potentially one of its most important authors."). And authors of freestanding works that are incorporated into a film, such as dance performances or songs, may copyright these "separate and independent work [s]." 17 U.S.C. § 101 (defining "collective work"). But a director's contribution to an integrated "work of authorship" such as a film is not itself a "work of authorship" subject to its own copyright protection.

A final observation: A conclusion other than the one we adopt would grant contributors like Merkin greater rights than joint authors, who, as we have noted, have no right to interfere with a co-author's use of the copyrighted work. See *Childress*, 945 F.2d at 508 ("Joint authorship entitles the co-authors to equal undivided interests in the work."). We doubt that Congress intended for contributors who are not joint authors to have greater rights enabling them to hamstring authors' use of copyrighted works, as apparently occurred in the case at bar. We agree with the *en banc* Ninth Circuit, then, that the creation of "thousands of standalone copyrights" in a given work was likely not intended. *Garcia (en banc)*.

We conclude that Merkin did not obtain and does not possess a copyright in his directorial contributions to the finished film.

#### B. Copyright in Raw Film Footage

Merkin also contends that he and not Casa Duse owns all copyright interests in the "raw film footage" which was contained on the hard drive and DVDs and from which the final film *Heads Up* was or will be produced.

Unlike Merkin's creative contributions to the film, the film footage is subject to copyright protection. An original motion picture is surely a "work of authorship" in which copyright protection "subsists" under the Copyright Act. See 17 U.S.C. § 102(a)(6). And "where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time." The unedited film footage at issue in this case seems to us to be an early version of the finished product, constituting the film "as of that

time.” Because the Copyright Act affords protection to each work at the moment of its creation,” copyright subsists even in such an unfinished work.

With respect to the ownership of any such copyright, “[c]opyright in a work protected under this title vests initially in the author or authors of the work.” 17 U.S.C. § 201(a). The Copyright Act contemplates instances in which multiple authors of a single work may maintain some form of copyright ownership in that work, but the parties agree that *Heads Up* fits into none of those categories. In cases in which none of the multiple-author scenarios specifically identified by the Copyright Act applies, but multiple individuals lay claim to the copyright in a single work, the dispositive inquiry is which of the putative authors is the “dominant author.”

The district court concluded, and we agree, that Casa Duse was that “dominant author.” Our Circuit has not proffered rules for determining which of multiple authors is “dominant.” We have, however, identified “factual indicia of ownership and authorship” relevant to the joint-author inquiry. These factors—including decisionmaking authority, billing, and written agreements with third parties—are also relevant to our dominant-author inquiry.

As to decisionmaking authority, which refers to the parties’ relative control “over what changes are made and what is included in a work,” the parties agree that Merkin exercised a significant degree of control over many of the creative decisions underlying both the raw film footage and the finished product. As director, Merkin made a variety of creative decisions related to camera work, lighting, blocking, and actors’ wardrobe, makeup, and dialogue delivery, particularly during the three days of filming. But in the context of the project as a whole, Casa Duse exercised far more decisionmaking authority. Casa Duse initiated the project; acquired the rights to the screenplay; selected the cast, crew and director; controlled the production schedule; and coordinated (or attempted to coordinate) the film’s publicity and release.

The second factor is “the way in which the parties bill or credit themselves,” which provides evidence of intent of authorship. Although Merkin evidently sought to retain the right to remove his name from the finished film, both parties initially intended to take some credit for the final product. The billing inquiry as to the raw footage, then, appears to us to be essentially neutral, as we understand will often be the case in the context of a motion picture.

The third factor, “the parties’ agreements with outsiders,” Thomson, points decisively in Casa Duse’s favor. Casa Duse obtained written work-for-hire agreements from every cast and crew member other than Merkin. Merkin did not, so far as the record shows, enter into any third party agreements. Indeed, nothing in the record suggests he had any intention to do so. Casa Duse also entered into an agreement with the screenwriter, authorizing the very creation of the film as a derivative work. Thus Casa Duse executed all of the relevant third-party agreements.

We agree with the district court that in this case, Casa Duse was the dominant author of the film. The record does not reflect any developments that occurred between the creation of the raw film footage and Casa Duse’s attempts to create a finished product that would alter this analysis as to the raw footage. We thus conclude that Casa Duse, not Merkin, owns the copyright in the finished film and its prior versions, including the disputed “raw film footage.”

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## Check Your Understanding – 16 Casa Duse

**Question 1.** Why did the court conclude that Merkin’s contributions to the film were not copyrightable?



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<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-54>

**Question 2.** According to the court, why would it be bad policy for the law to allow anyone who made an artistic contribution to a film to obtain copyright protection on their contribution?



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<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-55>

### C. Works Made for Hire

Section 101 of the 1976 Act provides that a copyrighted work is a “work made for hire” under two sets of circumstances:

- (1) a work prepared by an employee within the scope of his or her employment; or
- (2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.

Section 201(b) states that “[i]n the case of a work made for hire, the employer or other person for whom the work was prepared is considered the author for purposes of this title, and, unless the parties have expressly agreed otherwise in a written instrument signed by them, owns all of the rights comprised in the copyright.”

As a consequence, the ownership of copyright in a “work made for hire” vests initially with the employer, not with the creator(s). This result has a number of practical consequences. For example, the duration of the copyright differs depending on whether or not it is a work made for hire. Probably of more significance is the fact that although an author (or in some cases the author’s heir) has the right to terminate any transfer of the copyright after 35 years, this right of termination does not apply to works made for hire. Copyright duration and the termination right are discussed later in this book.

In determining whether or not a work was “prepared by an employee within the scope of his or her

employment,” and thus a work made for hire, it is not always easy to ascertain whether or not the individual who prepared the work was an “employee.” In the following decision, the Supreme Court addresses the issue and establishes the test courts are to use in determining whether an individual is an “employee,” as opposed to, for example, an independent contractor.

Some things to consider when reading CCNV:

1. The Court’s discussion of the definition of a “work made for hire.”
2. The test that the Court arrives at for whether an author is an “employee” for purposes of determining whether a work is “made for hire.”
3. The Court’s application of the test to the facts of this case.
4. The Court’s discussion of policy.
5. Ultimately, this is a case of statutory interpretation. In particular, the Court must ascertain the meaning of the word “employee” as it appears in the Copyright Act’s definition of a “work made for hire.” Pay attention to the various tenets of statutory interpretation the Court applies in arriving at its conclusion.

### *Com. for Creative Non-Violence v. Reid*

490 U.S. 730 (1989)

MARSHALL, Justice.

In this case, an artist and the organization that hired him to produce a sculpture contest the ownership of the copyright in that work. To resolve this dispute, we must construe the “work made for hire” provisions of the Copyright Act of 1976 (Act or 1976 Act), 17 U.S.C. §§ 101 and 201(b), and in particular, the provision in § 101, which defines as a “work made for hire” a “work prepared by an employee within the scope of his or her employment” (hereinafter § 101(1)).

#### I

Petitioners are the Community for Creative Non-Violence (CCNV), a nonprofit unincorporated association dedicated to eliminating homelessness in America, and Mitch Snyder, a member and trustee of CCNV. In the fall of 1985, CCNV decided to participate in the annual Christmastime Pageant of Peace in Washington, D.C., by sponsoring a display to dramatize the plight of the homeless. As the District Court recounted:

“Snyder and fellow CCNV members conceived the idea for the nature of the display: a sculpture of a modern Nativity scene in which, in lieu of the traditional Holy Family, the two adult figures and the infant would appear as contemporary homeless people huddled on a streetside steam grate. The family was to be black (most of the homeless in Washington being black); the figures were to be life-sized, and the steam grate would be positioned atop a platform ‘pedestal,’ or base, within which special-effects equipment would be enclosed to emit simulated ‘steam’ through the grid to swirl



about the figures. They also settled upon a title for the work—“Third World America”—and a legend for the pedestal: ‘and still there is no room at the inn.’”

Snyder made inquiries to locate an artist to produce the sculpture. He was referred to respondent James Earl Reid, a Baltimore, Maryland, sculptor. In the course of two telephone calls, Reid agreed to sculpt the three human figures. CCNV agreed to make the steam grate and pedestal for the statue. Reid proposed that the work be cast in bronze, at a total cost of approximately \$100,000 and taking six to eight months to complete. Snyder rejected that proposal because CCNV did not have sufficient funds, and because the statue had to be completed by December 12 to be included in the pageant. Reid then suggested, and Snyder agreed, that the sculpture would be made of a material known as “Design Cast 62,” a synthetic substance that could meet CCNV’s monetary and time constraints, could be tinted to resemble bronze, and could withstand the elements. The parties agreed that the project would cost no more than \$15,000, not including Reid’s services, which he offered to donate. The parties did not sign a written agreement. Neither party mentioned copyright.

After Reid received an advance of \$3,000, he made several sketches of figures in various poses. At Snyder’s request, Reid sent CCNV a sketch of a proposed sculpture showing the family in a crèche like setting: the mother seated, cradling a baby in her lap; the father standing behind her, bending over her shoulder to touch the baby’s foot. Reid testified that Snyder asked for the sketch to use in raising funds for the sculpture. Snyder testified that it was also for his approval. Reid sought a black family to serve as a model for the sculpture. Upon Snyder’s suggestion, Reid visited a family living at CCNV’s Washington shelter but decided that only their newly born child was a suitable model. While Reid was in Washington, Snyder took him to see homeless people living on the streets. Snyder pointed out that they tended to recline on steam grates, rather than sit or stand, in order to warm their bodies. From that time on, Reid’s sketches contained only reclining figures.

Throughout November and the first two weeks of December 1985, Reid worked exclusively on the statue, assisted at various times by a dozen different people who were paid with funds provided in installments by CCNV. On a number of occasions, CCNV members visited Reid to check on his progress and to coordinate CCNV’s construction of the base. CCNV rejected Reid’s proposal to use suitcases or shopping bags to hold the family’s personal belongings, insisting instead on a shopping cart. Reid and CCNV members did not discuss copyright ownership on any of these visits.

On December 24, 1985, 12 days after the agreed-upon date, Reid delivered the completed statue to Washington. There it was joined to the steam grate and pedestal prepared by CCNV and placed on display near the site of the pageant. Snyder paid Reid the final installment of the \$15,000. The statue remained on display for a month. In late January 1986, CCNV members returned it to Reid’s studio in Baltimore for minor repairs. Several weeks later, Snyder began making plans to take the statue on a tour of several cities to raise money for the homeless. Reid objected, contending that the Design Cast 62 material was not strong enough to withstand the ambitious itinerary. He urged CCNV to cast the statue in bronze at a cost of \$35,000, or to create a master mold at a cost of \$5,000. Snyder declined to spend more of CCNV’s money on the project.

In March 1986, Snyder asked Reid to return the sculpture. Reid refused. He then filed a certificate of copyright registration for “Third World America” in his name and announced plans to take the sculpture

on a more modest tour than the one CCNV had proposed. Snyder, acting in his capacity as CCNV's trustee, immediately filed a competing certificate of copyright registration.

Snyder and CCNV then commenced this action against Reid and his photographer, Ronald Purtee, seeking return of the sculpture and a determination of copyright ownership. The District Court granted a preliminary injunction, ordering the sculpture's return. After a 2-day bench trial, the District Court declared that "Third World America" was a "work made for hire" under § 101 of the Copyright Act and that Snyder, as trustee for CCNV, was the exclusive owner of the copyright in the sculpture. The court reasoned that Reid had been an "employee" of CCNV within the meaning of § 101(1) because CCNV was the motivating force in the statue's production. Snyder and other CCNV members, the court explained, "conceived the idea of a contemporary Nativity scene to contrast with the national celebration of the season," and "directed enough of [Reid's] effort to assure that, in the end, he had produced what they, not he, wanted."

The Court of Appeals for the District of Columbia Circuit reversed and remanded, holding that Reid owned the copyright because "Third World America" was not a work for hire. Adopting what it termed the "literal interpretation" of the Act, the court read § 101 as creating "a simple dichotomy in fact between employees and independent contractors." Because, under agency law, Reid was an independent contractor, the court concluded that the work was not "prepared by an employee" under § 101(1). Nor was the sculpture a "work made for hire" under the second subsection of § 101 (hereinafter § 101(2)): sculpture is not one of the nine categories of works enumerated in that subsection, and the parties had not agreed in writing that the sculpture would be a work for hire. The court suggested that the sculpture nevertheless may have been jointly authored by CCNV and Reid, and remanded for a determination whether the sculpture is indeed a joint work under the Act.

We granted certiorari to resolve a conflict among the Courts of Appeals over the proper construction of the "work made for hire" provisions of the Act. We now affirm.

## II

### A

The Copyright Act of 1976 provides that copyright ownership "vests initially in the author or authors of the work." 17 U.S.C. § 201(a). As a general rule, the author is the party who actually creates the work, that is, the person who translates an idea into a fixed, tangible expression entitled to copyright protection. § 102. The Act carves out an important exception, however, for "works made for hire." If the work is for hire, "the employer or other person for whom the work was prepared is considered the author" and owns the copyright, unless there is a written agreement to the contrary. § 201(b). Classifying a work as "made for hire" determines not only the initial ownership of its copyright, but also the copyright's duration, § 302(c), and the owners' renewal rights, § 304(a), termination rights, § 203(a), and right to import certain goods bearing the copyright, § 601(b)(1). See 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 5.03[A], pp. 5-10 (1988). The contours of the work for hire doctrine therefore carry profound significance for freelance creators—including artists, writers, photographers, designers, composers, and computer programmers—and for the publishing, advertising, music, and other industries which commission their works.

Section 101 of the 1976 Act provides that a work is "for hire" under two sets of circumstances:

“(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.”

Petitioners do not claim that the statue satisfies the terms of § 101(2). Quite clearly, it does not. Sculpture does not fit within any of the nine categories of “specially ordered or commissioned” works enumerated in that subsection, and no written agreement between the parties establishes “Third World America” as a work for hire.

The dispositive inquiry in this case therefore is whether “Third World America” is “a work prepared by an employee within the scope of his or her employment” under § 101(1). The Act does not define these terms. In the absence of such guidance, four interpretations have emerged. The first holds that a work is prepared by an employee whenever the hiring party retains the right to control the product. A second, and closely related, view is that a work is prepared by an employee under § 101(1) when the hiring party has actually wielded control with respect to the creation of a particular work. This approach was formulated by the Court of Appeals for the Second Circuit, and adopted by the Fourth Circuit, and, at times, by petitioners. A third view is that the term “employee” within § 101(1) carries its common-law agency law meaning. This view was endorsed by the Fifth Circuit and by the Court of Appeals below. Finally, respondent and numerous amici curiae contend that the term “employee” only refers to “formal, salaried” employees. The Court of Appeals for the Ninth Circuit recently adopted this view.

The starting point for our interpretation of a statute is always its language. The Act nowhere defines the terms “employee” or “scope of employment.” It is, however, well established that where Congress uses terms that have accumulated settled meaning under the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the established meaning of these terms. In the past, when Congress has used the term “employee” without defining it, we have concluded that Congress intended to describe the conventional master-servant relationship as understood by common-law agency doctrine. Nothing in the text of the work for hire provisions indicates that Congress used the words “employee” and “employment” to describe anything other than “the conventional relation of employer and employee.” On the contrary, Congress’ intent to incorporate the agency law definition is suggested by § 101(1)’s use of the term, “scope of employment,” a widely used term of art in agency law. See Restatement (Second) of Agency § 228 (1958) (hereinafter Restatement).

In past cases of statutory interpretation, when we have concluded that Congress intended terms such as “employee,” “employer,” and “scope of employment” to be understood in light of agency law, we have relied on the general common law of agency, rather than on the law of any particular State, to give meaning to these terms. This practice reflects the fact that federal statutes are generally intended to have uniform nationwide application. Establishment of a federal rule of agency, rather than reliance on state agency law, is particularly appropriate here given the Act’s express objective of creating national, uniform copyright law by broadly pre-empting state statutory and common-law copyright regulation. See 17 U.S.C. § 301(a). We

thus agree with the Court of Appeals that the term “employee” should be understood in light of the general common law of agency.

In contrast, neither test proposed by petitioners is consistent with the text of the Act. The exclusive focus of the right to control the product test on the relationship between the hiring party and the product clashes with the language of § 101(1), which focuses on the relationship between the hired and hiring parties. The right to control the product test also would distort the meaning of the ensuing subsection, § 101(2). Section 101 plainly creates two distinct ways in which a work can be deemed for hire: one for works prepared by employees, the other for those specially ordered or commissioned works which fall within one of the nine enumerated categories and are the subject of a written agreement. The right to control the product test ignores this dichotomy by transforming into a work for hire under § 101(1) any “specially ordered or commissioned” work that is subject to the supervision and control of the hiring party. Because a party who hires a “specially ordered or commissioned” work by definition has a right to specify the characteristics of the product desired, at the time the commission is accepted, and frequently until it is completed, the right to control the product test would mean that many works that could satisfy § 101(2) would already have been deemed works for hire under § 101(1). Petitioners’ interpretation is particularly hard to square with § 101(2)’s enumeration of the nine specific categories of specially ordered or commissioned works eligible to be works for hire, e.g., “a contribution to a collective work,” “a part of a motion picture,” and “answer material for a test.” The unifying feature of these works is that they are usually prepared at the instance, direction, and risk of a publisher or producer. By their very nature, therefore, these types of works would be works by an employee under petitioners’ right to control the product test.

The actual control test, articulated by the Second Circuit in *Aldon Accessories*, fares only marginally better when measured against the language and structure of § 101. Under this test, independent contractors who are so controlled and supervised in the creation of a particular work are deemed “employees” under § 101(1). There is no statutory support for a dichotomy between commissioned works that are actually controlled and supervised by the hiring party and those that are not.

We therefore conclude that the language and structure of § 101 of the Act do not support either the right to control the product or the actual control approaches.<sup>4</sup>

Petitioners’ construction of the work for hire provisions would impede Congress’ paramount goal in revising the 1976 Act of enhancing predictability and certainty of copyright ownership. In a “copyright marketplace,” the parties negotiate with an expectation that one of them will own the copyright in the completed work. With that expectation, the parties at the outset can settle on relevant contractual terms, such as the price for the work and the ownership of reproduction rights.

To the extent that petitioners endorse an actual control test, CCNV’s construction of the work for hire provisions prevents such planning. Because that test turns on whether the hiring party has closely monitored the production process, the parties would not know until late in the process, if not until the work is completed, whether a work will ultimately fall within § 101(1). Under petitioners’ approach, therefore, parties would have to predict in advance whether the hiring party will sufficiently control a given work to make it the author. If they guess incorrectly, their reliance on “work for hire” or an assignment may give them a copyright interest that they did not bargain for. This understanding of the work for hire provisions clearly thwarts Congress’ goal of ensuring predictability through advance planning.

In sum, we must reject petitioners' argument. Transforming a commissioned work into a work by an employee on the basis of the hiring party's right to control, or actual control of, the work is inconsistent with the language, structure, and legislative history of the work for hire provisions. To determine whether a work is for hire under the Act, a court first should ascertain, using principles of general common law of agency, whether the work was prepared by an employee or an independent contractor. After making this determination, the court can apply the appropriate subsection of § 101.

## **B**

We turn, finally, to an application of § 101 to Reid's production of "Third World America." 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 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;
- whether the hiring party is in business;
- the provision of employee benefits; and
- the tax treatment of the hired party.

See Restatement § 220(2) (setting forth a nonexhaustive list of factors relevant to determining whether a hired party is an employee). No one of these factors is determinative.

Examining the circumstances of this case in light of these factors, we agree with the Court of Appeals that Reid was not an employee of CCNV but an independent contractor. True, CCNV members directed enough of Reid's work to ensure that he produced a sculpture that met their specifications. But the extent of control the hiring party exercises over the details of the product is not dispositive. Indeed, all the other circumstances weigh heavily against finding an employment relationship. Reid is a sculptor, a skilled occupation. Reid supplied his own tools. He worked in his own studio in Baltimore, making daily supervision of his activities from Washington practicably impossible. Reid was retained for less than two months, a relatively short period of time. During and after this time, CCNV had no right to assign additional projects to Reid. Apart from the deadline for completing the sculpture, Reid had absolute freedom to decide when and how long to work. CCNV paid Reid \$15,000, a sum dependent on completion of a specific job, a method by which independent contractors are often compensated. Reid had total discretion in hiring and paying assistants. Creating sculptures was hardly "regular business" for CCNV. Indeed, CCNV is not a business at all. Finally, CCNV did not pay payroll or Social Security taxes, provide any employee benefits, or contribute to unemployment insurance or workers' compensation funds.

Because Reid was an independent contractor, whether “Third World America” is a work for hire depends on whether it satisfies the terms of § 101(2). This petitioners concede it cannot do. Thus, CCNV is not the author of “Third World America” by virtue of the work for hire provisions of the Act. However, as the Court of Appeals made clear, CCNV nevertheless may be a joint author of the sculpture if, on remand, the District Court determines that CCNV and Reid prepared the work “with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.” 17 U.S.C. § 101. In that case, CCNV and Reid would be co-owners of the copyright in the work. See § 201(a).

For the aforesaid reasons, we affirm the judgment of the Court of Appeals for the District of Columbia Circuit.

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## Check Your Understanding – CCNV

**Question 1.** Which of the following constitutes a “work made for hire”?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=142#h5p-56>

**Question 2.** For purposes of the “work for hire” doctrine, under what circumstances is a hired party treated as an employee?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=142#h5p-57>

**Question 3.** Why did the Court use the Restatement (Second) of Agency to arrive at its non-exhaustive list of factors relevant to the question of whether a hired party is an employee?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=142#h5p-58>

In the following decision, the Second Circuit applies the *Reid* factors to determine whether a screenwriter hired to write the movie *Friday the 13<sup>th</sup>* was an “employee” of the film production company.

Some things to consider when reading *Horror Inc.*:

1. As discussed in more detail later in this book, the 1976 Act allows authors to terminate transfers of copyright interests 35 years after those transfers were made. 17 U.S.C. § 203. Miller, the screenwriter who wrote *Friday the 13<sup>th</sup>*, has invoked his termination right in the screenplay, and the movie production company is attempting to block the termination of rights by establishing that the screenplay is a work made for hire. If it was a work made for hire, copyright vested initially with the employer, i.e., the movie production company, and the screenwriter would have no right to terminate the transfer.
2. The Second Circuit applies a somewhat refined version of the *Reid* test, ultimately concluding that the screenwriter was not an employee of the film production company, and thus this was not a work made for hire.
3. Since the screenplay was not a work made for hire, the author Miller will apparently be able to terminate his transfer of copyright to the film production company. What are the practical ramifications of this termination of transfer, given that elements of the original *Friday the 13<sup>th</sup>* appear in numerous derivative works, e.g., sequels, videogames, etc.? We will address this question in more detail later in the section of the book particularly focused on termination of transfers.

### *Horror Inc. v. Miller*

15 F.4th 232 (2d Cir. 2021)

Carney, Circuit Judge:

This dispute concerns whether, for Copyright Act purposes, the screenwriter Victor Miller was an employee or independent contractor of the film production company Manny, Inc., in 1979, when Miller wrote the screenplay for the landmark horror film *Friday the 13<sup>th</sup>*, released in 1980. Almost forty years later, in 2016, Miller gave notice to Manny purporting to terminate its copyright under the authority vested in authors by section 203 of the Act. See 17 U.S.C. § 203. If Miller was Manny’s employee when he wrote the screenplay, then it is a “work made for hire” under the Act; Manny, not Miller, owns the screenplay; and Miller’s notice is of no effect. Alternatively, if Miller was an independent contractor vis-à-vis Manny when he wrote the screenplay, and if certain other conditions are satisfied, then Miller is entitled to terminate Manny’s and its successors’ rights and, as author, to reclaim his own.

We conclude that Miller was an independent contractor when he wrote the screenplay and is therefore entitled to authorship rights. Accordingly, the notice of termination that he gave under section 203 is effective as to Manny and its successors.

## **BACKGROUND**

### **I. Factual Background**

Victor Miller is a professional writer of novels, screenplays, and teleplays. Sean S. Cunningham is a producer, director, and writer of feature films. His company, Sean S. Cunningham Films Ltd., is the general partner of Manny Company, a Connecticut limited partnership. Cunningham formed Manny as a corporate vehicle for producing and distributing motion pictures.

In 1979, the nationwide success of *Halloween*, a low-budget horror film, inspired Cunningham to produce his own horror film. Cunningham contacted Miller about the idea. In late spring of 1979, Miller and Cunningham “orally agreed that Miller would write the screenplay for [the] horror film project.” Sometime in June of that year—the document is not dated—Manny and Miller executed an agreement [which] provided that Manny “employ[ed] the Writer”—Miller—“to write a complete and finished screenplay for a proposed motion picture to be budgeted at \$under \$1 million [sic], and presently entitled or designated Friday 13.” In exchange, Manny promised to “pay [Miller] as full compensation for his services” \$9,282 in two lump-sum payments: \$5,569 for delivery of the first draft of the screenplay, and \$3,713 for delivery of the final draft. It advised, “this Agreement contemplates payment of the entire agreed[-]upon compensation.”

After Cunningham recruited Miller for the project, Miller viewed the recently released *Halloween*, discussed ideas and locations for the film with Cunningham, and developed the idea for setting the film at a summer camp before the camp seasons opens (Miller suggested the idea; Cunningham agreed). He then wrote a treatment for the horror film, at the time entitled “The Long Night at Camp Blood” (the “Treatment”). Miller next proceeded to write first and second drafts of the related screenplay (the “Screenplay”), and over time revised the second draft, developing the Screenplay in its final form. The revisions included adding references to “Friday the 13th” (the title suggested by Cunningham), and a new ending (one that project investor Phil Scuderi insisted on).

Miller wrote various versions of the Treatment and Screenplay over the course of approximately two months. As with Miller and Cunningham’s past collaborations, the two worked closely together to develop the two documents. Miller described how, during the writing process, the pair “enthusiastically bounced ideas off of one another.” Miller and Cunningham met at each other’s homes to discuss ideas for the Film, and Miller drafted the Treatment and Screenplay at his own home, on his own typewriter, using his own typewriter ribbon and paper. Miller made use of Cunningham’s photocopier and photocopy paper, and Cunningham’s assistant retyped the second draft of the Screenplay to reformat the draft to contain certain margin content.

Miller usually did his writing in the morning because he was a “morning person” and preferred to write between “7 a.m. and noon,” and not because Cunningham would dictate Miller’s specific work hours. Miller was responsible, however, for conforming his completion of screenplay drafts to the demands of the Film’s broader production schedule. Cunningham had no right to assign Miller additional projects beyond the writing of the Screenplay provided in the Contract.

The parties dispute the extent to which Cunningham dictated the contents of the Treatment and Screenplay. Cunningham averred that he “tutor[ed] Miller on key elements of successful horror films,” and “retained final authority over what went into, or stayed out of, the Screenplay. According to Cunningham, sometimes, while “Miller drafted on his typewriter, [Cunningham] stood over [Miller’s] shoulder making suggestions and contributions.” In contrast, although Miller acknowledges that Cunningham provided “notes or suggestions” on the Screenplay drafts, he contends that “Cunningham did not dictate what [Miller] should



do or write.” The parties agree, however, that Cunningham made the following general suggestions: that the killings throughout the movie should be “personal” (and that guns are “impersonal” ways to kill in movies); that the killer should always remain masked; and that a major character should be killed early on.

It is undisputed that, although Cunningham and Miller often collaborated on the Treatment and Screenplay, Miller consistently received “sole ‘written by’ credit” as the screenwriter for the Film.

During the same summer, in 1979, Cunningham accepted an offer from investor Phil Scuderi, the principal of Georgetown Productions, Inc. (“Georgetown”), to finance *Friday the 13<sup>th</sup>* in exchange for giving Georgetown “complete control over the Screenplay and the Film.” Cunningham recounted that, after agreeing to this arrangement, Scuderi “provided extensive notes, mark-ups and ideas which were incorporated into the final shooting script and Film itself.” Cunningham did not offer any details on Scuderi’s “extensive” changes to the script, except for noting that Scuderi altered the Film’s closing scene as follows: Scuderi proposed that, in the final scene, “the character ‘Jason’—who, in Miller’s Treatment and Screenplay, died as a young boy and never appears in any of Miller’s drafts—emerges from the depths of the lake as a disfigured child, and reaches out of the water to pull one of the main protagonists into the lake.”

As Cunningham recalls it, Miller “was vehemently opposed to the idea of Jason coming back to life at all ... because the whole point of [Miller’s] script was that Jason’s mother killed the camp counselors as vengeance for her son’s death.” Cunningham, too, was “not fond” of Scuderi’s proposed change to the final scene. Nevertheless, “[a]t Georgetown’s insistence, [Scuderi’s] scene was written and incorporated into the Film, and gave birth to the character Jason as an immortal adult killer who returned from the dead, and to numerous sequels in the franchise.”

In 1980, Manny assigned its rights in the Film and Screenplay to Georgetown (the “Georgetown Agreement”), and Georgetown duly registered the related copyrights. The registration listed “Georgetown Productions, Inc.” as the Film’s author, and it described the Film as a “work made for hire.” The Copyright Office’s digital version of the Screenplay, however, provides a “written by” credit to Miller. Horror Inc., a third company owned by persons new to the project, later acquired from Georgetown the rights, title, and interest to the *Friday the 13<sup>th</sup>* franchise, including rights to the Screenplay and the Film. Horror became the successor-in-interest to Georgetown and Manny regarding these copyrighted properties.

The Film *Friday the 13<sup>th</sup>* opened on May 9, 1980. Cunningham described it as “an immediate hit,” that over time “enjoy[ed] unprecedented box office success for a horror film.” It has since spawned eleven sequels, among other derivative products.

Several years after the opening, Miller began to believe that he was not receiving the additional sequel and residual payments on the Film that he was due under the [agreement]. [I]n the late 1980s, Miller received a settlement of \$27,396.46. Cunningham estimates that Miller has also received approximately \$220,000 from Horror related to “residuals, sequels, and other payments under the employment agreement.”

## STANDARDS OF REVIEW

Because a “work made for hire” is a statutory exception to the general rule of author-ownership of copyright, the party claiming the exception bears the burden of proving that the exception applies.

The Copyright Act provides expressly that the facts stated in a copyright registration are entitled to a presumption of validity. 17 U.S.C. § 410(c).

## DISCUSSION

### **I. Was Miller an “employee” of Manny or an “independent contractor” under the Copyright Act?**

On appeal, Manny and Horror claim that Miller prepared the Screenplay as an “employee” of Manny. (For convenience, we refer to them as “the Companies,” distinguishing between them only as necessary.) Thus, the Companies contend, the Screenplay was a “work for hire” and Miller cannot exercise his termination rights under section 203(a).

#### *(1) The concept of “work for hire” under the Copyright Act*

Section 101 of the Act defines two mutually exclusive categories of work for hire: the first provides that a work made by an employee within the scope of his employment is a work for hire; and the second provides that a specially commissioned work that is subject to an express agreement that the work will be treated as one made for hire is such a work. The Companies concede, as they must, that the Screenplay does not qualify under the “specially commissioned work” definition: although the parties entered into a written agreement, the WGA form contract that they signed does not provide that the Screenplay is a work for hire. They thus did not expressly agree to its treatment as such, and it is not a specially commissioned work. The Companies’ appeal thus centers on whether Miller was “writing within the scope of the employment” as Manny’s “employee” when he composed the Screenplay.

In 1980, Georgetown registered the copyright in the Screenplay, designating it in the Copyright Office form as “a work made for hire.” As explained above, section 410(c) of the Act creates a statutory presumption of validity for facts set forth in a copyright registration document. The Companies are thus entitled to a statutory presumption that the Screenplay was indeed a work for hire. That presumption, however, is rebuttable, and, for the reasons set forth below, we conclude that it was rebutted here.

#### *(2) The Reid framework and factors*

In *Reid*, the Supreme Court created an enduring framework for distinguishing between an employee and a non-employee author in matters of copyright.

Relying on the statutory language and legislative history of section 101, the Supreme Court explained in *Reid* that in using these terms Congress “intended to describe the conventional master-servant relationship as understood by common-law agency doctrine,” and thus courts should “rely on the general common law of agency” to determine whether the individual is an employee or an independent contractor.

To aid in this inquiry, *Reid* identified thirteen non-exhaustive factors: (1) the hiring party’s right to control the manner and means by which the work is accomplished; (2) the skill required to create the work; (3) the source of the instrumentalities and tools; (4) the location of the work; (5) the duration of the relationship between the parties; (6) whether the hiring party has the right to assign additional projects to the hired party; (7) the extent of the hired party’s discretion over when and how long to work; (8) the method of payment; (9) the hired party’s role in hiring and paying assistants; (10) whether the work is part of the regular business of the hiring party; (11) whether the hiring party is in business; (12) the provision of employee

benefits; (13) the tax treatment of the hired party. Other relevant factors may also be considered, so long as they are drawn from the common law of agency that *Reid* seeks to synthesize.”

### **C. Applying the Reid factors**

The Companies’ contend that the District Court erred in its application of the *Reid* factors [by] construing certain facts in favor of Miller rather than the Companies. We are not persuaded.

We have cautioned against applying the *Reid* factors “in a mechanistic fashion.” Courts can easily misapply the *Reid* test because *Reid* merely provided a list of possible considerations that may or may not be relevant in a given case and gave no direction concerning how the factors were to be weighed. Thus, in balancing the *Reid* factors, courts must take care to disregard those factors that, in light of the facts of a particular case, are (1) irrelevant or (2) of indeterminate weight—that is, those factors that are essentially in equipoise and thus do not meaningfully cut in favor of either the conclusion that the worker is an employee or the conclusion that he or she is an independent contractor.

In *Aymes*, we provided additional guidance on the *Reid* analysis. In that case, while assessing whether the plaintiff was an “employee” under section 101, we flagged five core considerations that “will almost always be relevant [to the *Reid* analysis] and should be given more weight in the analysis, because they will usually be highly probative of the true nature of the employment relationship.” *Aymes*, 980 F.2d at 861. Those factors are: “(1) the hiring party’s right to control the manner and means of creation; (2) the skill required [of the hired party]; (3) the provision of employee benefits; (4) the tax treatment of the hired party; and (5) whether the hiring party has the right to assign additional projects to the hired party.”

Viewing the evidence in the light most favorable to the Companies, and having presented it as such above, we conclude as a matter of law based on the undisputed facts that Miller worked as an independent contractor when he produced the Screenplay. Below, we consider the *Reid* factors that are key to our analysis.

#### **1. Control**

In light of the close working relationship that without a doubt existed between Cunningham and Miller—who frequently met at each other’s homes to discuss the film and bounce ideas off one another—it is difficult to develop a clear picture regarding whether Manny maintained the “right to control the manner and means of creation” for *Friday the 13<sup>th</sup>*.

The evidence suggests that Cunningham’s involvement reflected limited control over Miller’s creative process—tutoring him on the elements of horror films, working in proximity with Miller and occasionally looking over Miller’s shoulder during drafting, and selecting or rejecting certain creative ideas, such as the setting and title of the film. Cunningham averred that he frequently met with Miller “to develop scenes and discuss ideas for the Screenplay”; that he was involved in the development of all “scenes, concepts, characters, elements, themes [and] plots in the Screenplay”; and that in an unspecified number of instances, he “dictated” an unknown number of unspecified changes for Miller to make to the Screenplay. This depiction suggests that Cunningham was involved in the development of the Screenplay and exercised at least some control over the drafting process.

Yet, as the District Court observed, “few of the examples of Cunningham’s control adduced by [the Companies] rise above the level of the sort of big picture approval authority and general suggestions that do not weigh heavily in favor of a right to control.” The closest that Cunningham comes to describing detailed control over Miller’s writing process such as would ascribe heavier weight to this factor is his testimony that he “[s]ometimes ... stood over [Miller’s] shoulder making suggestions and contributions” while Miller wrote. Even crediting this assertion, however, Cunningham’s “suggestions and contributions” do not necessarily evince the type of comprehensive control that characterizes a traditional employer-employee relationship. Instead, that Cunningham made “suggestions and contributions” is more consistent with Miller’s description of the screenwriting process as a non-hierarchical, “creative collaboration and exchange of ideas” between himself and Cunningham.

Indeed, Scuderi’s alteration of the Film’s closing scene provides the only specific instance identified by the Companies in which the Screenplay was altered over Miller’s objections. Yet Scuderi’s alteration is not probative of any employer-employee relationship between Miller and *Manny* because Scuderi neither worked for Manny nor was otherwise Manny’s agent and Georgetown was not formally involved in the project until a year or more after the Screenplay was finished.

We note also that the Companies abandoned any claim to dual authorship of the Screenplay with Miller, who was credited exclusively as the screenwriter, implicitly reflecting that their suggestions and contributions were not sufficiently material to amount to “control” over the Screenplay.

Thus, if the evidence in the record regarding “control” weighs in favor of finding that Miller was Manny’s employee, it does so only marginally.

## 2. Skill

The parties do not dispute that Miller was working as a screenwriter beginning well before 1979. And Miller had already received a graduate degree studying theatre and had “written several published novels and the screenplays for three produced films.”

Courts adjudicating copyright cases involving professional creative artists have typically found the skill factor to weigh strongly in favor of independent contractor status. The Companies do not contest, nor could they, that screenwriting is a skilled profession and that Miller was a skilled screenwriter. Instead, they try to downplay the importance of Miller’s general skill, arguing that his skill should be discounted because (1) he had “minimal expertise in writing *horror* films,” and (2) Cunningham, by contrast, had some experience in the horror genre. Neither point is particularly persuasive.

We recognized in *Aymes* that those in professions akin to that of “architects, photographers, graphic artists, drafters” are often found by courts “to be highly-skilled independent contractors.” Like the computer programmer in *Aymes*, Miller “use[d] skills developed while a graduate student ... and through his experience working” on other films. *Aymes* also makes clear that the court should focus on the “skill[s] necessary to perform the work,” rather than relying on “relative youth and inexperience.” Here, the evidence shows that Cunningham was familiar with the horror genre, but that he required Miller’s creativity and screenwriting experience to prepare and complete the Screenplay. Miller did not “merely transcrib[e] [Cunningham’s] instructions” when generating the treatment and Screenplay, and, contrary to the Companies’ assertions, Cunningham’s contributions—such as “rewriting, revising and restructuring the treatment”—did not “prove[

] his ability” to do the creative work as a screenwriter. Aough Cunningham contributed to the drafting effort, he ultimately relied on Miller’s expertise to craft the Screenplay. Thus, under these circumstances, any skill of the hiring party in the field needed to create the work was eclipsed by the skill of the hired party and thus does not weigh in favor of treating Miller as an employee.

Accordingly, the skill factor weighs in favor of Miller’s status as independent contractor.

### 3. *Employee benefits*

The record shows that Manny never provided Miller with health insurance, paid vacation time, worker’s compensation benefits, a pension plan, or other types of benefits that courts have traditionally found probative of employee status.

The Companies attempt to avoid the force of this observation by recasting the benefits that were established by the MBA as “traditional” employee benefits. They highlight that the MBA gave Miller rights to preview the Film before public release, to receive residual and sequel payments on the Screenplay, to receive appropriate on-screen credit, and to WGA representation as needed to obtain such collectively bargained-for benefits.

We are unable to conceive of any of these as traditional employee benefits. Indeed, their availability through the WGA form only puts into stark relief the *absence* of benefits such as health insurance, life insurance, and disability insurance that the traditional employment relationship ordinarily entails.

Deferred compensation in the form of sequel or residual payments carries substantial uncertainty and risk. It does not align with typical employee benefits.

In *Aymes*, this court gave special weight to the fact that the hiring party did not pay traditional employment benefits, reasoning that it would be inequitable for a hiring party to benefit from a worker’s status as an independent contractor “in one context” and then “ten years later deny the worker that status to avoid a copyright infringement suit.” The Companies cannot have it both ways.

In sum, because Manny did not provide Miller any traditional employee benefits, the employee benefits factor weighs heavily in Miller’s favor.

### 4. *Tax treatment*

This court has held that the parties’ tax treatment of their relationship is, along with employee benefits, “highly indicative” of whether a worker should be treated as a conventional employee for copyright purposes. Other circuits are in accord.

Miller averred that Manny never withheld or deducted any taxes, social security, Medicare, or other comparable amounts from his compensation and that his compensation was paid precisely as designated in the two-page form agreement: one payment of \$5,569 on completion of the first draft of the screenplay, and a second payment of \$3,713 upon final submission. No reasonable jury could conclude on this evidentiary record that Miller was treated as an employee for tax purposes; the only evidence is to the contrary.

The tax-treatment factor weighs in favor of Miller’s independent contractor status.

### 5. *Additional projects*

When parties dispute whether a work was created by an individual as an employee or as an independent contractor, *Reid* tells us that examination of whether a hiring party had the right to assign additional projects is instructive because an independent contractor's engagement is more likely to be "project-by-project," with the relationship terminating upon completion of the contractually assigned project.

It is apparent from the record evidence that Manny hired Miller solely to write the screenplay for a single movie: *Friday the 13<sup>th</sup>*. Nothing in the "Writer's Flat Deal Contract" gave Manny the right to assign Miller anything more: indeed, its title states that it was one, single, "flat deal."

Accordingly, this factor too weighs in favor of independent contractor status.

#### 6. Remaining factors

The remaining *Reid* factors—i.e., those that in *Aymes* we deemed less significant in the copyright context—on balance also favor treating Miller as an independent contractor.

*Duration*: Miller worked on the Screenplay for approximately two months. That the period was so brief weighs in Miller's favor.

*Method of payment*: Manny paid Miller \$5,569 when he finished the first draft of the Screenplay and \$3,713 when he finished the final draft. This method of payment—i.e., a lump-sum payment that is "dependent on completion of a specific job"—is "a method by which independent contractors are often compensated." This factor therefore weighs strongly in favor of classifying Miller as an independent contractor.

*Source of instrumentalities and tools*: As the District Court described, and the parties do not challenge, "Miller's primary work on the screenplay—the writing of the screenplay—was done using his own typewriter and paper." Yet, Miller also "used Cunningham's photocopier and copy paper and relied on Cunningham's secretary to re-type a draft of the screenplay." Accordingly, this factor is neutral, and we disregard it.

*Location of work*: Miller worked primarily from his home, although he and Cunningham also frequently met "at each other's houses and in [Cunningham's] home office to discuss ideas and locations for the film." Because Miller worked "primarily" from his home and at the time, neither of these workspaces—unlike an office building—was a traditional venue for conducting business, the location-of-work factor weighs slightly in Miller's favor.

*Discretion in setting schedule*: Cunningham set general deadlines for Miller to meet, "consistent with the pre-production and production schedule," but Miller had significant freedom in scheduling his daily work hours—including, for example, choosing to do his writing primarily in the morning because he was a "morning person." Miller's discretion over his day-to-day schedule weighs in favor of classifying him as an independent contractor.

*Hiring assistants*: The authority to hire assistants "will not normally be relevant [to the *Reid* inquiry] if the very nature of the work requires the hired party to work alone." Here, the Companies do not dispute that screenplay writing is generally solitary work. Nor do they resist the District Court's observation that "the nature of Miller's work [in writing the Screenplay] did not lend itself to the use of assistants" and "[t]here is no indication that Miller sought to hire any." Accordingly, this factor merits "no weight."

*Business entity:* Although Manny was a business, which is often consistent with having employee workers, this factor has “very little weight in [the *Reid*] analysis” Here, it weighs only marginally in the Companies’ favor.

*Business type:* That the type of Manny’s business is producing screenplays for films and that Miller is a screenwriter weigh in favor of finding that Miller is an employee. This factor accordingly favors employee status.

#### 7. Application of *Reid* factors, in summary

Viewing them altogether, we have no difficulty in concluding that the *Reid* factors weigh decisively in favor of classifying Miller as an independent contractor.

In sum, Miller must be considered the author of the Screenplay, and the Act empowers him now to terminate the rights in the Screenplay that he earlier permitted the Companies. See 17 U.S.C. §§ 201, 203. We therefore affirm the District Court’s award of summary judgment to Miller on this issue.

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## Check Your Understanding – *Horror Inc.*

**Question 1.** True or false: Because a “work made for hire” is a statutory exception to the general rule of author-ownership of copyright, the party claiming the exception bears the burden of proving that the exception applies.



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<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-73>

**Question 2.** How did the *Aymes* decision provide additional guidance with respect to the Supreme Court’s decision in *CCNV v. Reid*?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-74>

**Question 3.** True or false: Employee benefits and tax treatment generally do not factor into a determination of whether or not a hired party is an employee for purposes of copyright law.



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In determining whether or not a work was “prepared by an employee within the scope of his or her employment,” the determinative question can come down to whether or not the work was prepared “within the scope” of an employee’s “employment.” This issue is addressed in the following two cases, which involve similar factual scenarios, but opposite outcomes.

Some things to consider when reading *Miller*:

1. The court’s interpretation and applications of the term “within the scope of his or her employment” as it appears in subsection (1) of section 101’s definition of “work for hire.”
2. The reason why the court found it appropriate to turn to the Restatement (Second) of Agency to interpret the term.
3. The fact that even if the court had found that Miller’s were not works for hire, the case would have been dismissed because Miller had failed to register his purported copyrights. (Registration will be addressed in more detail later in this casebook.)

### *Miller v. CP Chemicals, Inc.*

808 F. Supp. 1238 (D.S.C. 1992)

JOSEPH F. ANDERSON, Jr., District Judge.

This is an action by David Miller, Sr., a former employee of the defendant, CP Chemicals, Inc. (“CP”) arising out of a dispute over the ownership to certain rights in computer programs. In his complaint, Miller alleges that he owns the copyrights to computer programs he developed while he was employed by CP. He further alleges that the defendant has continued to use these programs without authorization and that such use constitutes copyright infringement. For the reasons set forth below, the court concludes that the plaintiff’s claim for copyright infringement should be dismissed both because the plaintiff has failed to register any copyrights on the computer programs in issue and because, even if the programs had been properly registered, they constitute “work for hire” within the meaning of the Federal Copyright Act.

The facts viewed in the light most favorable to the plaintiff are as follows: Miller was initially employed by CP as a technician in the quality control laboratory. His job entailed analyzing finished products to assure their conformance to customer specifications. After about three months, Miller was promoted to the position of senior laboratory chemist. In that capacity, he first began working with a computer in connection with his job by utilizing a Lotus 1-2-3 software package, which he had requested that CP purchase, for the purpose of keying in the company’s computer analytical data regarding customer product specifications.



In February, 1989 Miller was promoted to laboratory supervisor and, in that capacity, assumed overall responsibility for the operation of the quality control laboratory. At this time, CP began renovating the quality control lab, and Miller organized the laboratory's records to meet EPA and OSHA regulations. Miller also completed the computerization of all analytical data generated in the lab. During this process, Miller became concerned about the efficiency of performing manual calculations in the quality control lab for in-process adjustments to one of CP's commercial products. As a result, Miller wrote a computer program that computed complex mathematical calculations, eliminating manual calculations previously used to make the required adjustments to this product. This computer program simplified his duties with CP and reduced the chance of error in calculation.

At this time, Miller's supervisors, Jerry Poe and Wilson Oldhouser, approached him regarding computerizing the calculations for other product adjustments. Oldhouser then told Miller to continue writing the programs, and Miller did develop more computer programs.

Miller performed most of the work on the computer programs at his home and on his own time. Miller, who was an employee paid by the hour, never requested or received additional or overtime pay for his work on the computer programs.

According to Miller, Poe and Oldhouser orally agreed with him that Miller would retain the copyrights in the computer programs that he developed and that CP could use them only so long as he remained employed with CP.

Miller was terminated from his employment in June, 1991, immediately following his arrest in a drug related charge. Subsequent to his termination, Miller demanded that CP either return the computer programs that he had written or pay him a license fee for continued use of the programs. CP refused these demands.

### **1. Copyright Registration**

[Plaintiff's lack of registration is fatal to his copyright infringement cause of action and requires its dismissal.]

### **2. Work For Hire**

Section 101 of the Copyright Act defines "work for hire" two different ways. Subsection (1) provides that a "work prepared by an employee within the scope of his or her employment" is a work for hire. Subsection (2) deals with works specially ordered or commissioned.

*In this case, Miller was a full-time employee of CP. Clearly, the relationship between Miller and CP was that of master and servant as opposed to employer and independent contractor. Thus, subsection (1) of section 101 is the correct definition to apply in this case.*

### **A. Scope of Employment**

Miller contends that the computer programs were a result of his own initiative and that they were written and tested at his home on his personal computer. Miller also asserts that he is an hourly employee and was never paid for the work that he did in developing the computer programs.

On the other hand, CP asserts that the computer programs were created during the course of Miller's employment with CP and solely for the purpose of simplifying his duties at CP. CP also asserts that the programs are product specific in that they relate directly with the calculations done for specific products manufactured by CP. CP also claims that Miller, as supervisor, had broad responsibilities for organizing and updating the quality control lab, and that writing the computer programs, although not required, was in connection with and incidental to his job. Finally, CP argues that Miller's position that the computer programs were not created within the scope of his employment is inconsistent with his other claim that those same programs were developed pursuant to an alleged employment contract.

In *Commission For Creative Non-violence v. Reid*, 490 U.S. 730, 741 (1989), the Court held that "the term 'employee' should be understood in light of the general common law of agency." Thus, this court finds that the general common law of agency would also be relevant to the analysis of the term "within the scope of employment."

The RESTATEMENT (SECOND) OF AGENCY § 228 (1958) provides:

(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.

The comments to section 229 state that acts incidental to authorized acts may be within the scope of the employment:

*Acts incidental to authorized acts.* An act may be incidental to an authorized act, although considered separately it is an entirely different kind of an 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 it is not unlikely that such a servant might do. The fact that a particular employer has no reason to expect the particular servant to perform the act is not conclusive.

RESTATEMENT (SECOND) OF AGENCY § 229 comment b (1958).

In this case, Miller was not hired primarily for the development of computer programs. However, as supervisor of the quality control laboratory, he was responsible for the organization and updating of the laboratory. Thus, the development of the computer programs was at least incidental to his job responsibilities because it was "within the ultimate objective of the principal and an act which it is not unlikely that such a servant might do."

With regard to the second element, Miller worked primarily, if not entirely, on the computer programs at his home on his own time and for no additional pay. On the other hand, the work was performed during the time period in which he was employed by CP.

With regard to the third element, there is no question but that the development of the computer programs was actuated, at least in part, by a purpose to serve the master. The initial program was created to simplify Miller's job and to eliminate errors, which was for the benefit of both Miller and CP. Officials at CP expressly asked Miller to continue to develop computer programs that dealt with other products of CP. Finally,

each computer program dealt specifically with a product manufactured by CP. The ultimate purpose of the development of the computer programs was to benefit CP by maximizing the efficiency of the operation of the quality control lab.

After considering the factual circumstances in this case in light of the Restatement factors and the case law concerning the issue, the court concludes that the development of the computer programs by Miller was within the scope of his employment.

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## Check Your Understanding – *Miller*

**Question 1.** Why did the *Miller* court find it was appropriate to turn to the Restatement (Second) of Agency to interpret the term “within the scope of employment”?



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<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-76>

**Question 2.** True or False: In *Miller*, the court found that subsection (1) of section 101 provides the correct definition of “work for hire” in this case because the relationship between Miller and CP was that of master and servant as opposed to employer and independent contractor.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-77>

**Question 3.** Which of the following facts did the court rely on in determining that the computer programs were not works for hire?



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<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-78>

## Socratic Script

The Restatement (Second) of Agency states that “[c]onduct of a servant is within the scope of employment if, but only if ... (b) it **occurs substantially within the authorized time and space limits**[.]” The court found that Miller worked “primarily, if not entirely, on the computer programs at his home on his own time and

for no additional pay.” How was the court nonetheless able to rationalize its conclusion that the computer programs fell within the scope of his employment?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=142#h5p-79>

## FOOTNOTES:

<sup>1</sup> 17 U.S.C. § 201(a).

<sup>2</sup> Dramaturgs provide a range of services to playwrights and directors in connection with the production and development of theater pieces. According to Thomson’s testimony, the role of the dramaturg “can include any number of the elements that go into the crafting of a play,” such as “actual plot elements, dramatic structure, character details, themes, and even specific language.”

<sup>3</sup> Thomson claims that she seeks 16% of the proceeds “because of her respect for Larson’s role as the principal creator of the work.” Thomson derives the 16% figure in the following way: she alleges that 48% of the Rent script is new in relation to the 1994 Workshop version (prior to her involvement); as co-author, she is, therefore, entitled to 50% of this part (or 24% of the total revenues); but since there are three components to Rent (book, lyrics, and music) and she did not contribute to one (music), she is entitled to 2/3, or 16% of the total revenues.

<sup>4</sup> We also reject the suggestion of respondent and amici that the § 101(1) term “employee” refers only to formal, salaried employees. While there is some support for such a definition in the legislative history, see Varmer, *Works Made for Hire* 130; n. 11, *infra*, the language of § 101(1) cannot support it. The Act does not say “formal” or “salaried” employee, but simply “employee.” Moreover, respondent and those amici who endorse a formal, salaried employee test do not agree upon the content of this test. Compare, e.g., Brief for Respondent 37 (hired party who is on payroll is an employee within § 101(1)) with Tr. of Oral Arg. 31 (hired party who receives a salary or commissions regularly is an employee within § 101(1)); and Brief for Volunteer Lawyers for the Arts, Inc., et al. as Amici Curiae 4 (hired party who receives a salary and is treated as an employee for Social Security and tax purposes is an employee within § 101(1)). Even the one Court of Appeals to adopt what it termed a formal, salaried employee test in fact embraced an approach incorporating numerous factors drawn from the agency law definition of employee which we endorse. See *Dumas*, 865 F.2d, at 1104.

# Chapter 6: Formalities

Historically, prior to the 1976 Act, an author was required to comply with certain “formalities” in order to receive federal copyright protection for a work, i.e., either publication with adequate notice or registration with the Copyright Office, and deposit of copies with the Library of Congress. The term “formalities” refers to technical requirements for copyright protection that go beyond the fundamental criteria that the work be original and fixed in a tangible medium of expression.

Under the 1976 Act, the copyright vests at the moment of fixation, regardless of whether or not the work has been published or registered. Failure to submit a deposit copy can subject the copyright owner to a fine, but will not affect the copyright status of the work. In 1989, the United States eliminated the notice requirement completely when it joined the Berne Convention, as required by this major international copyright treaty. See Berne Convention Implementation Act of 1988. Thus, as of March 1, 1989, published copies of copyrighted works no longer require copyright notices to maintain federal copyright protection. The elimination of formalities brought U.S. law into closer harmony with other jurisdictions, such as the European Union.

Although under current law compliance with formalities is no longer required for copyright protection, they remain significant for at least two reasons: (1) the changes to the law were not retroactive, and still apply to older works created at a time when the formality was required; and (2) although technically not required for copyright, compliance with the formalities will provide the copyright claimant with a number of significant benefits.

## A. Publication with Notice

Under the 1909 Act, unpublished works were not eligible for federal copyright protection unless the author had taken the affirmative step of copyrighting it through registration with the Copyright Office, as discussed below. They could be eligible for some forms of state common law protection, such as a “right of first publication,” but the contours of this common law protection were generally uncertain, and significantly less robust than federal copyright.

Publication of a potentially copyrightable work had significant consequences with respect to copyright. Under the 1909 Act, publication with adequate notice resulted in federal copyright protection for the work, and began the 28 year copyright term mentioned earlier. In order for the work to comply with the adequate notice requirement, the copyright owner was required to place a copyright notice on all copies of the work that were distributed to the public, usually consisting of the copyright symbol © and/or the word “Copyright” along with the year of publication and the name of the copyright owner. On the other hand, publication without adequate notice generally placed the work in the public domain, forever ineligible for federal copyright protection, and no longer subject to any state common-law protection.<sup>1</sup>

The term “publication” has its own meaning in the context of copyright law that can be quite different

from the meaning normally associated with the term in other contexts, as illustrated by the following case involving Martin Luther King Jr.'s iconic "I Have a Dream" speech.

Some things to consider when reading *Est. of Martin Luther King, Jr.*:

1. Why is CBS arguing that Dr. King's delivery of his "I Have a Dream" speech during the March on Washington in 1963 constituted a "general publication" of the speech?
2. Why does the court conclude that the speech had not been published, even though there was a huge crowd in attendance, it was broadcast nationally, and copies of the speech were widely distributed to the news media prior to Dr. King's delivery of the speech?
3. The difference between a "general publication" and a "limited publication," and why courts distinguish between the two.
4. The significance of the distinction between the performance of a work and publication.
5. The court's comparison of the facts in the instant case with earlier decisions like *Letter Edged in Black* and *American Tobacco*.
6. The possibility that controversy could presumably have been avoided if Dr. King's organization, the SCLC, had included copyright notice of the copies of the speech it distributed, e.g., "© 1963, Martin Luther King, Jr."

### *Est. of Martin Luther King, Jr., Inc. v. CBS, Inc.*

194 F.3d 1211 (11th Cir. 1999)

ANDERSON, Chief Judge:

The Estate of Martin Luther King, Jr., Inc. brought this copyright infringement action against CBS, Inc. after CBS produced a video documentary that used, without authorization, portions of civil rights leader Dr. Martin Luther King's famous "I Have a Dream" speech at the March on Washington on August 28, 1963. The district court granted summary judgment to CBS on the ground that Dr. King had engaged in a general publication of the speech, placing it into the public domain. We now reverse.

#### **I. FACTS**

The facts underlying this case form part of our national heritage and are well-known to many Americans. On the afternoon of August 28, 1963, the Southern Christian Leadership Conference ("SCLC") held the March on Washington ("March") to promote the growing civil rights movement. The events of the day were seen and heard by some 200,000 people gathered at the March, and were broadcast live via radio and television to a nationwide audience of millions of viewers. The highlight of the March was a rousing speech that Dr. Martin Luther King, Jr., the SCLC's founder and president, gave in front of the Lincoln Memorial ("Speech"). The Speech contained the famous utterance, "I have a dream ...," which became symbolic of the civil rights movement. The SCLC had sought out wide press coverage of the March and the Speech, and these efforts

were successful; the Speech was reported in daily newspapers across the country, was broadcast live on radio and television, and was extensively covered on television and radio subsequent to the live broadcast.

On September 30, 1963, approximately one month after the delivery of the Speech, Dr. King took steps to secure federal copyright protection for the Speech under the Copyright Act of 1909, and a certificate of registration of his claim to copyright was issued by the Copyright Office on October 2, 1963. Almost immediately thereafter, Dr. King filed suit in the Southern District of New York to enjoin the unauthorized sale of recordings of the Speech and won a preliminary injunction on December 13, 1963. See *King v. Mister Maestro, Inc.*, 224 F.Supp. 101 (S.D.N.Y.1963).

For the next twenty years, Dr. King and the Estate enjoyed copyright protection in the Speech and licensed it for a variety of uses, and renewed the copyright when necessary. In 1994, CBS entered into a contract with the Arts & Entertainment Network to produce a historical documentary series entitled “The 20th Century with Mike Wallace.” One segment was devoted to “Martin Luther King, Jr. and The March on Washington.” That episode contained material filmed by CBS during the March and extensive footage of the Speech (amounting to about 60% of its total content). CBS, however, did not seek the Estate’s permission to use the Speech in this manner and refused to pay royalties to the Estate. The instant litigation ensued.

On summary judgment, the district court framed the issue as “whether the public delivery of Dr. King’s speech ... constituted a general publication of the speech so as to place it in the public domain.” After discussing the relevant case law, the district court held that Dr. King’s “performance coupled with such wide and unlimited reproduction and dissemination as occurred concomitant to Dr. King’s speech during the March on Washington can be seen only as a general publication which thrust the speech into the public domain.”<sup>2</sup> Thus, the district court granted CBS’s motion for summary judgment. The Estate now appeals to this Court.

## II. DISCUSSION

We review the district court’s grant of summary judgment *de novo*, with all facts and reasonable inferences therefrom reviewed in the light most favorable to the nonmoving party.

Because of the dates of the critical events, the determinative issues in this case are properly analyzed under the Copyright Act of 1909 (“1909 Act”), rather than the Copyright Act of 1976 (“1976 Act”) that is currently in effect. The question is whether Dr. King’s attempt to obtain statutory copyright protection on September 30, 1963 was effective, or whether it was a nullity because the Speech had already been forfeited to the public domain via a general publication.

Under the regime created by the 1909 Act, an author received state common law protection automatically at the time of creation of a work. This state common law protection persisted until the moment of a general publication.<sup>3</sup> When a general publication occurred, the author either forfeited his work to the public domain, or, if he had theretofore complied with federal statutory requirements [i.e., by providing notice], converted his common law copyright into a federal statutory copyright.

In order to soften the hardship of the rule that publication destroys common law rights, courts developed a distinction between a “general publication” and a “limited publication.” Only a general publication divested a common law copyright. A general publication occurred when a work was made available to members of

the public at large without regard to their identity or what they intended to do with the work. Conversely, a non-divesting limited publication was one that communicated the contents of a work to a select group and for a limited purpose, and without the right of diffusion, reproduction, distribution or sale. The issue before us is whether Dr. King's delivery of the Speech was a general publication.

[The court discusses some specific caselaw.]

It appears from the case law that a general publication occurs only in two situations. First, a general publication occurs if tangible copies of the work are distributed to the general public in such a manner as allows the public to exercise dominion and control over the work. Second, a general publication may occur if the work is exhibited or displayed in such a manner as to permit unrestricted copying by the general public. However, the case law indicates that restrictions on copying may be implied, and that express limitations in that regard are deemed unnecessary.

The case law indicates that distribution to the news media, as opposed to the general public, for the purpose of enabling the reporting of a contemporary newsworthy event, is only a limited publication. This rule comports with common sense; it does not force an author whose message happens to be newsworthy to choose between obtaining news coverage for his work and preserving his common-law copyright.

With the above principles in mind, in the summary judgment posture of this case and on the current state of this record, we are unable to conclude that CBS has demonstrated beyond any genuine issue of material fact that Dr. King, simply through his oral delivery of the Speech, engaged in a general publication making the Speech available to members of the public at large without regard to their identity or what they intended to do with the work." A performance, no matter how broad the audience, is not a publication; to hold otherwise would be to upset a long line of precedent. This conclusion is not altered by the fact that the Speech was broadcast live to a broad radio and television audience and was the subject of extensive contemporaneous news coverage. We follow the above cited case law indicating that release to the news media for contemporary coverage of a newsworthy event is only a limited publication.

Our conclusion finds significant support from *Burke v. National Broadcasting Co., Inc.*, 598 F.2d 688 (1st Cir.1979). Burke captured on film a highly unusual and dramatic encounter in which a zebra attacked a lioness who had killed the zebra's foal. Grzimek, a professor and a host of an educational television program, wrote Burke requesting permission to use the film in his lectures and in the educational television program. Burke responded affirmatively, sending Grzimek the film accompanied by a short reply that contained neither express authorization nor express restriction with respect to other possible uses of the film. Grzimek initially used the film only for the stated purposes, but later transmitted a copy of the film to a commercial company specializing in nature films, which in turn sold a production that included the film to NBC. The issue was whether Burke's common law copyright was forfeited to the public domain by virtue of the circumstances surrounding his seemingly unconditioned release of the film to Grzimek. In other words, the issue was whether there had been a general publication. The First Circuit held that only a limited publication had occurred, and that Burke's common law copyright had not been lost. The court defined a general publication as occurring when a work is made available to the public at large without regard to who they are or what they propose to do with it, noted that courts have hesitated to find a general publication which divests a common law copyright, and noted the settled law that a mere performance or exhibition of a work is not a general publication. Recognizing that a general publication can be found if the public



were free to copy the work on exhibit, the First Circuit held that a prohibition on copying can be tacitly understood. Applying the foregoing principles, the court sustained Burke's common law copyright as against NBC. The *Burke* court held that Burke's authorization of Grzimek's broadcast of the film on noncommercial television did not result in a general publication. The court recognized that Burke did not explicitly state that Grzimek could not distribute copies of the film to others, or use it for other purposes, but the court said "such limitations are reasonably to be implied."

We believe that the authority granted to the press in the instant case—extensive news coverage including live broadcasts—is analogous to the authority granted in *Burke*. In *Burke*, authority was granted to the host of an educational television program to broadcast on television; in the instant case, authority was granted to the press for extensive news coverage, also including broadcasts on television. In both cases, the authority was granted to a limited group for a limited purpose. In both cases, the restrictions on copying and reproducing were implied. The soundness of our analogy to *Burke* is also supported by the foregoing case law indicating generally that distribution to the news media for the purpose of news coverage is only a limited publication.

The district court held that "the circumstances in this case take the work in question outside the parameters of the 'performance is not a publication' doctrine." These circumstances included "the overwhelmingly public nature of the speech and the fervent intentions of the March organizers to draw press attention." Certainly, the Speech was one of a kind—a unique event in history. However, the features that make the Speech unique—e.g., the huge audience and the Speech's significance in terms of newsworthiness and history—are features that, according to the case law, are not significant in the general versus limited publication analysis.

The district court cited *Letter Edged in Black Press, Inc. v. Public Bldg. Comm'n of Chicago*, 320 F.Supp. 1303 (N.D.Ill.1970), CBS's best case, in support of its reasoning, and that case warrants some exploration. In *Letter Edged in Black*, the question was whether the city had dedicated a Picasso sculpture (located in front of the Chicago Civic Center) to the public domain by general publication. The city had done the following: it carried out a massive campaign to publicize the monumental sculpture; it placed a maquette (portable model of the sculpture) on exhibition at a local museum; it gave photographs to the public upon request; it arranged for pictures of the sculpture to appear in several magazines of large national circulation; it sold a postcard featuring the sculpture; and it distributed numerous publications and reports containing photographs of the sculpture. After stating the controlling legal principles with regard to general and limited publication, the *Letter Edged in Black* court stated its view that the cumulation of these various acts by the city equated to general publication. The court then distinguished *American Tobacco*, 207 U.S. 284, the primary authority that the city cited to support its theory of mere limited publication. In *American Tobacco*, the Supreme Court held that the display of a painting in a gallery did not constitute general publication putting the painting into the public domain. According to the *Letter Edged in Black* court, a cornerstone of *American Tobacco* was the fact that copying of the painting was strictly forbidden and the gallery strictly enforced the anti-copying rules. The court held that the facts in *Letter Edged in Black* were distinguishable:

In the case at bar there were no restrictions on copying and no guards preventing copying. Rather every citizen was free to copy the maquette for his own pleasure and camera permits were available to members of the public. At its first public display the press was freely allowed to photograph the

maquette and publish these photographs in major newspapers and magazines. Further, officials at this first public showing of the maquette made uncopyrighted pictures of the maquette available on request. Were this activity strictly classified as limited publication, there would no longer be any meaningful distinction between limited and general publication.

The district court likened the instant case to *Letter Edged in Black* on the ground that there was a lack of restriction on copying and free allowance of reproduction by the press. However, we do not believe the analogy fits—at least not at this summary judgment stage. Significantly, in *Letter Edged in Black* there were manifestations of the city’s intent to distribute generally among the public at large that have no parallels in the evidence we can consider in the instant summary judgment posture. The city gave photographs of the sculpture to the public, not merely the press, upon request. The city commercially sold a postcard featuring the sculpture. Copying was apparently widespread at an exhibit of the sculpture, and the city took no action to curtail copying and photographing by the public. At trial, CBS may well produce evidence that brings the instant case on all fours with *Letter Edged in Black*,<sup>4</sup> but the present state of the record does not support the analogy; to the contrary, the performance of the Speech in the instant case is more like the exhibition of the painting in the gallery in *American Tobacco*.

Because there exist genuine issues of material fact as to whether a general publication occurred, we must reverse the district court’s grant of summary judgment for CBS. It would be inappropriate for us to address CBS’s other arguments, e.g., fair use and the First Amendment, because the district court did not address them, and because the relevant facts may not yet be fully developed. Of course, we express no opinion on the eventual merits of this litigation. The judgment of the district court is reversed and remanded for further proceedings not inconsistent with this opinion.

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## Check Your Understanding – *Est. of Martin Luther King, Jr.*

**Question 1.** Under the 1909 Act, what is the difference between a “general publication” and a “limited publication”?



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<https://holmancopyright.lawbooks.cali.org/?p=145#h5p-80>

**Question 2.** True or false: Distribution of a work to the news media, as opposed to the general public, for the purpose of enabling the reporting of a contemporary newsworthy event, is only a limited publication.





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<https://holmancopyright.lawbooks.cali.org/?p=145#h5p-81>

**Question 3.** True or false: The public performance of the speech to a broad audience can constitute a general publication of the text of the speech.



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<https://holmancopyright.lawbooks.cali.org/?p=145#h5p-82>

Under the 1976 Act, originality and fixation are all that are required, so neither publication nor registration is required for federal copyright protection. For the most part, state common law copyright has been preempted by federal copyright.

However, as initially enacted, the 1976 Act retained the requirement that published works provide adequate notice to the public. Publication without adequate notice would result in forfeiture of copyright protection for the work, thereby introducing it into the public domain, as was the case under the 1909 Act. The 1976 Act was somewhat more forgiving, in that it allowed copyright owners some opportunity to cure publication that occurred without notice, at least if this publication was not too extensive.

In particular, Section 405(a) of the 1976 Act provides that omission of the prescribed copyright notice from copies or phonorecords publicly distributed by authority of the copyright owner does not invalidate the copyright in a work if—

- (1) the notice has been omitted from no more than a relatively small number of copies or phonorecords distributed to the public; or
- (2) registration for the work has been made before or is made within five years after the publication without notice, and a reasonable effort is made to add notice to all copies or phonorecords that are distributed to the public in the United States after the omission has been discovered; or
- (3) the notice has been omitted in violation of an express requirement in writing that, as a condition of the copyright owner's authorization of the public distribution of copies or phonorecords, they bear the prescribed notice.

Even where the publication without notice took place outside the United States, it has been held that copyright was forfeited unless one of the § 405(a) exceptions applies. *Hasbro Bradley, Inc. v. Sparkle Toys, Inc.*, 780 F.2d 189 (2d Cir. 1985).

In 1988, Congress enacted the Berne Convention Implementation Act, which eliminated the requirement of notice altogether, with respect to works created after March 1, 1989.

Although notice is no longer a requirement for copyrightability, even if a work has been published, notice still confers significant legal benefits to the copyright owner, and for that reason copyright owners still routinely attach copyright notice to copies of works made available to the public. In particular, adequate notice on copyrighted works precludes potential defendants from claiming that they innocently infringed upon the copyrighted work, thus preventing defendants from using a defense of innocent infringement to mitigate actual or statutory damages.

## B. Registration

Copyright owners can register their claims to copyright with the U.S. Copyright Office. Registration has never been a requirement for copyright protection of published works, but the 1909 Act did allow the author of an unpublished work, not reproduced for sale, to gain copyright by registering the work, so long as the author deposited a copy of the work with the Register of Copyrights, along with a claim of copyright. Still, there are substantial benefits to obtaining a registration, and copyright owners continue to register their works with the Copyright Office, a fairly routine process in most cases.

One of the most significant benefits of registration is the ability to enforce the copyright in federal court.<sup>5</sup> With respect to most works, in order to file a lawsuit in federal court to enforce the copyright, the copyright owner must first register the work (or at least attempt to register the work, and be denied registration by the Copyright Office). 17 U.S.C. § 411. Furthermore, registration of the work within five years of initial publication constitutes *prima facie* evidence of copyright ownership and validity, which can make it much easier for the plaintiff to establish the first element of a copyright infringement lawsuit, i.e., ownership of a valid copyright. It also enables copyright owners to receive statutory damages and attorney's fees for infringements occurring after registration, as discussed later in this casebook. In addition, registration creates a publicly accessible record of copyright ownership, providing contact information for those interested in obtaining a license to use the work.

Some things to consider when reading *Unicolors*:

1. To obtain registration, the author of a work must, *inter alia*, provide the Copyright Office with certain factual information, some of which incorporates legal conclusions. 17 U.S.C. § 411(b)(1) provides that a certificate of registration is valid even though it contains inaccurate information, as long as the copyright holder lacked “knowledge that it was inaccurate.” The question before the Court is whether this “safe harbor” applies when the lack of knowledge stems from a failure to understand the *law* rather than a failure to understand the *facts*. In *Unicolors*, a divided Court holds that § 411(b) does not distinguish between a mistake of law and a mistake of fact, and thus lack of knowledge of either fact or law can excuse an inaccuracy in a copyright registration.
2. Note the variety of tools of statutory interpretation invoked by Justice Breyer in writing for the majority, including analogy, precedent, dictionaries, other provisions of the Copyright Act, and legislative history.

3. Three dissenting Justices would have dismissed the writ of certiorari as improvidently granted. What was Unicolor’s “legerdemain”?

*Unicolors, Inc. v. H&M Hennes & Mauritz, L. P.*

595 U.S. 178 (2022)

Justice BREYER delivered the opinion of the Court.

A valid copyright registration provides a copyright holder with important and sometimes necessary legal advantages. It is, for example, a prerequisite for bringing a “civil action for infringement” of the copyrighted work. 17 U.S.C. § 411(a). Additionally, a plaintiff in an infringement action normally cannot obtain an award of statutory damages or attorney’s fees for infringement that occurred prior to registration. § 412.

To obtain registration, the author of a work must submit to the Register of Copyrights a copy of the work and an application. §§ 408, 409. The application must provide information about the work. § 409. Some of this information is purely factual, but some of it incorporates legal conclusions. If the Register determines that the work is copyrightable and meets other statutory requirements, she will issue a certificate of registration. § 410(a). The information on this certificate reflects the information that the copyright holder provided on the application. *Ibid.*

Naturally, the information provided on the application for registration should be accurate. Nevertheless, the Copyright Act provides a safe harbor. It says that a certificate of registration is valid

“regardless of whether the certificate contains any inaccurate information, unless—

“(A) the inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate; and

“(B) the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration.” § 411(b)(1) (emphasis added).

The important point for our purposes is that a certificate of registration is valid even though it contains inaccurate information, as long as the copyright holder lacked “knowledge that it was inaccurate.” § 411(b)(1)(A).

The question before us concerns the scope of the phrase “with knowledge that it was inaccurate.” The Court of Appeals for the Ninth Circuit believed that a copyright holder cannot benefit from the safe harbor and save its copyright registration from invalidation if its lack of knowledge stems from a failure to understand the law rather than a failure to understand the facts. In our view, however, § 411(b) does not distinguish between a mistake of law and a mistake of fact. Lack of knowledge of either fact or law can excuse an inaccuracy in a copyright registration. We therefore vacate the Court of Appeals’ contrary holding.

I

The petitioner here, Unicolors, owns copyrights in various fabric designs. It sued the respondent, H&M

Hennes & Mauritz, L.P. (H&M), for copyright infringement. 959 F.3d 1194, 1195 (CA9 2020). The jury found in Unicolors' favor, but H&M asked the trial court to grant it judgment as a matter of law. H&M argued, among other things, that Unicolors' registration certificate was invalid (and that therefore Unicolors could not sue for infringement) because it contained inaccurate information. Specifically, H&M argued that Unicolors' registration certificate was inaccurate because Unicolors had improperly filed a single application seeking registration for 31 separate works. H&M relied on a Copyright Office regulation, which provides that a single registration can cover multiple works only if those works were "included in the same unit of publication." C.F.R. § 202.3(b)(4) (2020). H&M argued that the 31 fabric designs covered by Unicolors' single application (and therefore single registration) had not been published as a single unit of publication because Unicolors had initially made some of the designs available for sale exclusively to certain customers, while other designs were immediately available to the general public. Because the first statutory requirement for invalidating Unicolors' registration (a knowing inaccuracy) was satisfied, H&M argued, the District Court should move to the second requirement and ask the Register of Copyrights whether it would have refused to register Unicolors' copyright if it had been aware of the inaccuracy. See §§ 411(b)(1)(B), (b)(2).

The District Court denied H&M's motion. Among other things, it noted that "a registration remains effective despite containing inaccurate information" if the registrant included the inaccurate information in the registration application without "knowledge that it was inaccurate." Because Unicolors did not know that it had failed to satisfy the "single unit of publication" requirement when it filed its application, the purported inaccuracy could not invalidate the registration.

The Ninth Circuit disagreed. It agreed with H&M that Unicolors had failed to satisfy the "single unit of publication" requirement (because it offered some of the 31 designs exclusively to certain customers). 959 F.3d, at 1198–1200. But did Unicolors *know* about this inaccuracy? In the Ninth Circuit's view, it did not matter whether Unicolors did or did not know that it had failed to satisfy the "single unit of publication" requirement. That was because, in the Ninth Circuit's view, the statute excused only good-faith mistakes of fact, not law. And Unicolors had known the relevant facts, namely, that some of the 31 designs had initially been reserved for certain customers.

Unicolors sought certiorari, asking us to review the Ninth Circuit's interpretation of § 411(b)(1)(A). We granted the petition.

## II

A brief analogy may help explain the issue we must decide. Suppose that John, seeing a flash of red in a tree, says, "There is a cardinal." But he is wrong. The bird is not a cardinal; it is a scarlet tanager. John's statement is inaccurate. But what kind of mistake has John made?

John may have failed to see the bird's black wings. In that case, he has made a mistake about the brute facts. Or John may have seen the bird perfectly well, noting all of its relevant features, but, not being much of a birdwatcher, he may not have known that a tanager (unlike a cardinal) has black wings. In that case, John has made a labeling mistake. He saw the bird correctly, but does not know how to label what he saw. Here, Unicolors' mistake is a mistake of labeling. But unlike John (who might consult an ornithologist about the birds), Unicolors must look to judges and lawyers as experts regarding the proper scope of the label "single

unit of publication.” The labeling problem here is one of law. Does that difference matter here? We think it does not.

Our reasons are straightforward. For one thing, we follow the text of the statute. Section 411(b)(1) says that Unicors’ registration is valid “regardless of whether the [registration] certificate contains any inaccurate information, unless ... the inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate.” Both case law and the dictionary tell us that “knowledge” has historically “meant and still means ‘the fact or condition of being aware of something.’” *Intel Corp. Investment Policy Comm. v. Sulyma*, 140 S.Ct. 768, 776 (2020) (quoting Webster’s Seventh New Collegiate Dictionary 469 (1967)); see also Black’s Law Dictionary 888 (8th ed. 2004); New Oxford American Dictionary 938 (def. 2) (2d ed. 2005); Webster’s New College Dictionary 625 (3d ed. 2008).

Unicors says that, when it submitted its registration application, it was not aware (as the Ninth Circuit would later hold) that the 31 designs it was registering together did not satisfy the “single unit of publication” requirement. If Unicors was not aware of the legal requirement that rendered the information in its application inaccurate, it did not include that information in its application “*with knowledge that it was inaccurate.*” § 411(b)(1)(A) (emphasis added). Nothing in the statutory language suggests that this straightforward conclusion should be any different simply because there was a mistake of law as opposed to a mistake of fact.

To the contrary, nearby statutory provisions help confirm that here “knowledge” refers to knowledge of the law as well as the facts. Registration applications call for information that requires both legal and factual knowledge. See, e.g., § 409(4) (whether a work was made “for hire”); § 409(8) (when and where the work was “published”); § 409(9) (whether the work is “a compilation or derivative work”). Inaccurate information in a registration is therefore equally (or more) likely to arise from a mistake of law as a mistake of fact. That is especially true because applicants include novelists, poets, painters, designers, and others without legal training. Nothing in the statutory language suggests that Congress wanted to forgive those applicants’ factual but not their (often esoteric) legal mistakes.

Other provisions of the Copyright Act confirm that, in this context, the word “knowledge” means actual, subjective awareness of both the facts and the law. Those provisions suggest that if Congress had intended to impose a scienter standard other than actual knowledge, it would have said so explicitly. See, e.g., § 121A(a) (safe harbor for entities that “did not know or have reasonable grounds to know” that exported works would be used by ineligible persons); § 512(c)(1)(A) (safe harbor for internet service providers who are not actually aware of infringing activities on their systems and are “not aware of facts or circumstances from which infringing activity is apparent”); § 901(a)(8) (“‘notice of protection’” requires “actual knowledge ... or reasonable grounds to believe” that a “work is protected”); § 1202(b) (civil remedies for certain acts performed by a person who knows or has “reasonable grounds to know” that he or she was facilitating infringement); § 1401(c)(6)(C)(ii) (for purposes of paragraph regarding the “[u]nauthorized use of pre-1972 sound recordings,” “knowing” includes one who “has actual knowledge,” “acts in deliberate ignorance of the truth or falsity of the information,” or “acts in grossly negligent disregard of the truth or falsity of the information”). The absence of similar language in the statutory provision before us tends to confirm our conclusion that Congress intended “knowledge” here to bear its ordinary meaning.

For another thing, cases decided before Congress enacted § 411(b) overwhelmingly held that inadvertent

mistakes on registration certificates did not invalidate a copyright and thus did not bar infringement actions. *Urantia Foundation v. Maaherra*, 114 F.3d 955, 963 (CA9 1997). Many of those cases involved mistakes of law. See, e.g., *id.*, at 961, 963; *Billy-Bob Teeth, Inc. v. Novelty, Inc.*, 329 F.3d 586, 591 (CA7 2003); *Advisers, Inc. v. Wiesen-Hart, Inc.*, 238 F.2d 706, 707–708 (CA6 1956) (*per curiam*). We can find no indication that Congress intended to alter this well-established rule when it enacted § 411(b). See *Davis v. Michigan Dept. of Treasury*, 489 U.S. 803, 813 (1989) (“When Congress codifies a judicially defined concept, it is presumed, absent an express statement to the contrary, that Congress intended to adopt the interpretation placed on that concept by the courts”); see also *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519, 538 (2013) (similar).

Further, those who consider legislative history will find that history persuasive here. It indicates that Congress enacted § 411(b) to make it easier, not more difficult, for nonlawyers to obtain valid copyright registrations. The House Report states that its purpose was to “improve intellectual property enforcement in the United States and abroad.” H. R. Rep. No. 110–617, p. 20 (2008). It did so in part by “eliminating loopholes that might prevent enforcement of otherwise validly registered copyrights.” The Report specifically notes that some defendants in copyright infringement cases had “argued ... that a mistake in the registration documents, such as checking the wrong box on the registration form, renders a registration invalid and thus forecloses the availability of statutory damages.” Congress intended to deny infringers the ability to exploit this potential loophole. Of course, an applicant for a copyright registration—especially one who is not a lawyer—might check the wrong box on the registration documents as a result of a legal, as well as a factual, error. Given this history, it would make no sense if § 411(b) left copyright registrations exposed to invalidation based on applicants’ good-faith misunderstandings of the details of copyright law.

### III

H&M argues that our interpretation of the statute will make it too easy for copyright holders, by claiming lack of knowledge, to avoid the consequences of an inaccurate application. But courts need not automatically accept a copyright holder’s claim that it was unaware of the relevant legal requirements of copyright law. We have recognized in civil cases that willful blindness may support a finding of actual knowledge. Circumstantial evidence, including the significance of the legal error, the complexity of the relevant rule, the applicant’s experience with copyright law, and other such matters, may also lead a court to find that an applicant was actually aware of, or willfully blind to, legally inaccurate information.

H&M also argues that our interpretation is foreclosed by the legal maxim that “ignorance of the law is no excuse.” This maxim normally applies where a defendant has the requisite mental state in respect to the elements of a crime but claims to be unaware of the existence of a statute proscribing his conduct. It does not apply in this civil case concerning the scope of a safe harbor that arises from ignorance of collateral legal requirements.

\* \* \*

For these reasons, the judgment of the Ninth Circuit is vacated, and the case is remanded for further proceedings consistent with this opinion.

**Justice THOMAS, with whom Justice ALITO joins, and with whom Justice GORSUCH joins as to all but Part II, dissenting.**



A copyright registration is invalid if the registrant included materially inaccurate information in its application “with knowledge that [the information] was inaccurate.” 17 U.S.C. § 411(b)(1)(A). In its petition for certiorari, Unicors asked us to decide a question on which the Courts of Appeals were split: whether § 411(b)(1)(A)’s “knowledge” element requires “indicia of fraud.” Specifically, Unicors argued that “knowledge” requires “inten[t] to defraud the Copyright Office.”

Yet now, after having persuaded us to grant certiorari on this issue, Unicors has chosen to rely on a different argument in its merits briefing. It no longer argues that § 411(b)(1)(A) requires fraudulent intent and instead proposes a novel “actual knowledge” standard. Because I would not reward Unicors for its legerdemain, and because no other court had, before today, ever addressed whether § 411(b)(1)(A) requires “actual knowledge,” I would dismiss the writ of certiorari as improvidently granted.

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## Check Your Understanding – *Unicors*

**Question 1.** A certificate of registration containing inaccurate information is invalid if which of the following is true?



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<https://holmancopyright.lawbooks.cali.org/?p=145#h5p-83>

**Question 2.** What does the term “knowledge that [information] was inaccurate” refer to, in the context of § 411(b)(1)?



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<https://holmancopyright.lawbooks.cali.org/?p=145#h5p-84>

## C. Deposit

The Copyright Act includes two distinct deposit requirements: one is a prerequisite to registration, and the other is a means to enhance the collections of the Library of Congress.

Under § 408 of the 1976 Act, an application for copyright registration must be accompanied by a deposit of one or more copies (or phonorecords) of the subject matter for which registration is sought (the 1909 Act included the same requirement). The Copyright Office has promulgated regulations exempting

certain subject matter from the deposit requirement, in cases in which it would be burdensome and/or inappropriate, e.g., sculptural works. In *Educ. Testing Servs.*, the plaintiff in the case registered its copyrighted SAT tests pursuant to a regulation that foregoes the deposit requirement with respect to “secure tests.” In *Educ. Testing Servs.*, the court observed:

ETS holds registered copyrights for all its tests, which it registers pursuant to a regulation promulgated by the Register of Copyrights allowing for “secure test” registration. See 37 C.F.R. § 202.20(c)(2)(vi) (1985). A “secure test” is defined as “a nonmarketed test administered under supervision at specified centers on specific dates, all copies of which are accounted for and either destroyed or returned to restricted locked storage following each administration.” 37 C.F.R. § 202.20(b)(4). The regulation suspends the requirement to deposit copies of the work, and requires instead that registrants of secure tests need only deposit a sufficient portion or a description of the test sufficient to identify it. See *id.* § 202.20(c)(2)(vi). The statutory and constitutional authorization for these regulations was upheld in *National Conference of Bar Examiners v. Multistate Legal Studies, Inc.*, 692 F.2d 478, and is not challenged in this case.

Using the procedure established by this regulation, representatives of the Copyright Office examined ETS’ tests and then returned them. ETS deposited only the front and back covers of its tests.<sup>6</sup>

Section 407 of the 1976 Act requires the deposit of copies or phonorecords of published works to the Library of Congress (the 1909 Act included a similar requirement). Failure to do so within three months of publication can subject the copyright owner to a fine, but will not affect the copyright status of the work.

## FOOTNOTES:

<sup>1</sup> For an example of copyright entering the public domain due to the copyright owner’s act of publishing without notice, see *Warner Bros. Entm’t v. X One X Prods.*, 44 F.3d 584 (8th Cir. 2011), a decision that appears later in this casebook. The Supreme Court addressed the issue in *Burrow-Giles*, the first case appearing in this casebook—in that case, the court found that the copyright claimant had fulfilled the notice requirement.

<sup>2</sup> The district court noted that there potentially was some additional evidence of general publication. First, the SCLC published a newsletter of wide circulation containing the full text of the Speech. Second, an advance text of the Speech may have been freely available to the public in a press tent at the March. However, the district court disregarded both of these items of evidence because the procedural posture of the case was one of summary judgment, and “material facts [were] in dispute as to whether the use of Dr. King’s speech in the newsletter was authorized and also as to the actual availability of the advance text.”

<sup>3</sup> We stress that in this area of the law the word “publication” is a legal word of art, denoting a process much more esoteric than is suggested by the lay definition of the term.

<sup>4</sup> For example, if the SCLC’s reprinting of the text of the Speech in the September 1963 newsletter was authorized, see *supra* note 4, that reprinting might be analogous to the public distribution of photographs in *Letter Edged in Black*. Similarly, if CBS were to adduce evidence that Dr. King or his agents offered copies of

the Speech indiscriminately to any member of the public who requested them, e.g., through the availability of the advance text in the press tent, that would make the facts of the instant case closer to those of *Letter Edged in Black*.

<sup>5</sup> In *Meshworks*, a case that appears earlier in this casebook, the lawsuit was initially dismissed because the plaintiff had failed to register the work. The copyright claimant registered, successfully refiled the lawsuit, and based on the registration the court was required to presume the copyright was valid (the presumption was overcome in that case).

<sup>6</sup> 793 F.2d at 538.

# Chapter 7: Copyright Duration

The duration and nature of the copyright term has changed dramatically over the years. For one thing, prior to the 1976 Act the copyright term began with publication of the work (or registration, which can be thought of as a form of publication); today, under the 1976 Act, copyright becomes effective as soon as the work is fixed. The term (i.e., duration) of copyright protection has also gotten much longer over the decades. The original copyright term was 14 years, with a possibility of renewal for another 14 years. Today it is closer to a century. In particular, under the 1976 Act copyright begins with fixation in a tangible medium of expression, and remains in force until 70 years after the author dies (or, in the case of a joint work, until 70 years after the last surviving author dies). In the case of works “made for hire,” such as by an employee of a corporation, the term is 95 years from the date of publication, or, in the case of an unpublished work made for hire, 120 years from the date of creation. 17 USC § 302.

Prior to the 1976 Act, the 1909 Act provided a 28 year term beginning at the date of publication. The owner of the copyright could renew the copyright for an additional 28 years, resulting in a maximum copyright term of 56 years. Note that this was an opt-in system—in order to receive the additional 28 years of copyright, the author had to take the affirmative step of applying for renewal with the Copyright Office. Many authors did not renew their copyright, either inadvertently, or because they did not perceive sufficient value in renewing it. Perhaps they wanted to make the work accessible to all, with no strings attached. In any event, the result was the same—after 28 years, the work would enter the public domain.<sup>1</sup> Significantly, the requirement that authors apply for renewal to the Copyright Office provided notice to third parties that the copyright had been extended. On the other hand, an interested party could conclude that a work that was published with notice more than 28 years ago was in the public domain and available to all, if a search of Copyright Office records showed that the copyright had not been renewed.

The rules governing copyright duration have changed substantially since Congress enacted the 1976 Act (which became effective on January 1, 1978), as a result of provisions in the 1976 Act as well as other subsequent legislative amendments of the Act, including, but not limited to, the Sonny Bono Copyright Term Extension Act of 1998. Some of these changes are addressed in the following Supreme Court decision, which addresses various policy concerns associated with copyright term extension.

Some things to consider when reading *Eldred*:

1. The plaintiff is arguing that the Copyright Term Extension Act of 1998 (CTEA's) provision of 20 additional years of copyright term for pre-existing works is unconstitutional. Which specific provisions of the Constitution does the plaintiff assert have been violated, and why does the Supreme Court reject these arguments?
2. Why does the Court find that previously enacted copyright statutes are significant in resolving the constitutional questions raised by this case?
3. The plaintiff does not argue that the 20 year extension of copyright is unconstitutional as applied to future works, only pre-existing works. Why?

4. On what basis does the plaintiff argue that the CTEA violates the First Amendment, and why does the Supreme Court reject this argument?

## *Eldred v. Ashcroft*

537 U.S. 186 (2003)

Justice GINSBURG delivered the opinion of the Court.

This case concerns the authority the Constitution assigns to Congress to prescribe the duration of copyrights. The Copyright and Patent Clause of the Constitution, Art. I, § 8, cl. 8, provides as to copyrights: “Congress shall have Power ... [t]o promote the Progress of Science ... by securing [to Authors] for limited Times ... the exclusive Right to their ... Writings.” In 1998, in the measure here under inspection, Congress enlarged the duration of copyrights by 20 years. Copyright Term Extension Act (CTEA). As in the case of prior extensions, principally in 1831, 1909, and 1976, Congress provided for application of the enlarged terms to existing and future copyrights alike.

Petitioners are individuals and businesses whose products or services build on copyrighted works that have gone into the public domain. They seek a determination that the CTEA fails constitutional review under both the Copyright Clause’s “limited Times” prescription and the First Amendment’s free speech guarantee. Under the 1976 Copyright Act, copyright protection generally lasted from the work’s creation until 50 years after the author’s death. Under the CTEA, most copyrights now run from creation until 70 years after the author’s death. 17 U.S.C. § 302(a). Petitioners do not challenge the “life-plus-70-years” timespan itself. Congress went awry, petitioners maintain, not with respect to newly created works, but in enlarging the term for published works with existing copyrights. The “limited Tim[e]” in effect when a copyright is secured, petitioners urge, becomes the constitutional boundary, a clear line beyond the power of Congress to extend. As to the First Amendment, petitioners contend that the CTEA is a content-neutral regulation of speech that fails inspection under the heightened judicial scrutiny appropriate for such regulations.

In accord with the District Court and the Court of Appeals, we reject petitioners’ challenges to the CTEA. In that 1998 legislation, as in all previous copyright term extensions, Congress placed existing and future copyrights in parity. In prescribing that alignment, we hold, Congress acted within its authority and did not transgress constitutional limitations.

### I

### A

We evaluate petitioners’ challenge to the constitutionality of the CTEA against the backdrop of Congress’ previous exercises of its authority under the Copyright Clause. The Nation’s first copyright statute, enacted in 1790, provided a federal copyright term of 14 years from the date of publication, renewable for an additional 14 years if the author survived the first term. The 1790 Act’s renewable 14-year term applied to existing works (i.e., works already published and works created but not yet published) and future works alike. Congress expanded the federal copyright term to 42 years in 1831 (28 years from publication, renewable for

an additional 14 years), and to 56 years in 1909 (28 years from publication, renewable for an additional 28 years). Both times, Congress applied the new copyright term to existing and future works, to qualify for the 1831 extension, an existing work had to be in its initial copyright term at the time the Act became effective.

In 1976, Congress altered the method for computing federal copyright terms. For works created by identified natural persons, the 1976 Act provided that federal copyright protection would run from the work's creation, not—as in the 1790, 1831, and 1909 Acts—its publication; protection would last until 50 years after the author's death. In these respects, the 1976 Act aligned United States copyright terms with the then-dominant international standard adopted under the Berne Convention for the Protection of Literary and Artistic Works. For anonymous works, pseudonymous works, and works made for hire, the 1976 Act provided a term of 75 years from publication or 100 years from creation, whichever expired first.

These new copyright terms, the 1976 Act instructed, governed all works not published by its effective date of January 1, 1978, regardless of when the works were created. For published works with existing copyrights as of that date, the 1976 Act granted a copyright term of 75 years from the date of publication, a 19-year increase over the 56-year term applicable under the 1909 Act.

The measure at issue here, the CTEA, installed the fourth major duration extension of federal copyrights. Retaining the general structure of the 1976 Act, the CTEA enlarges the terms of all existing and future copyrights by 20 years. For works created by identified natural persons, the term now lasts from creation until 70 years after the author's death. 17 U.S.C. § 302(a). This standard harmonizes the baseline United States copyright term with the term adopted by the European Union in 1993. For anonymous works, pseudonymous works, and works made for hire, the term is 95 years from publication or 120 years from creation, whichever expires first. 17 U.S.C. § 302(c).

Paralleling the 1976 Act, the CTEA applies these new terms to all works not published by January 1, 1978. §§ 302(a), 303(a). For works published before 1978 with existing copyrights as of the CTEA's effective date, the CTEA extends the term to 95 years from publication. §§ 304(a) and (b). Thus, in common with the 1831, 1909, and 1976 Acts, the CTEA's new terms apply to both future and existing copyrights.

## **B**

Petitioners' suit challenges the CTEA's constitutionality under both the Copyright Clause and the First Amendment. On cross-motions for judgment on the pleadings, the District Court entered judgment for the Attorney General (respondent here). 74 F.Supp.2d 1 (D.D.C.1999). The court held that the CTEA does not violate the "limited Times" restriction of the Copyright Clause because the CTEA's terms, though longer than the 1976 Act's terms, are still limited, not perpetual, and therefore fit within Congress' discretion. The court also held that "there are no First Amendment rights to use the copyrighted works of others."

The Court of Appeals for the District of Columbia Circuit affirmed. 239 F.3d 372 (2001).

We granted certiorari to address two questions: whether the CTEA's extension of existing copyrights exceeds Congress' power under the Copyright Clause; and whether the CTEA's extension of existing and future copyrights violates the First Amendment. We now answer those two questions in the negative and affirm.

## II

### A

We address first the determination of the courts below that Congress has authority under the Copyright Clause to extend the terms of existing copyrights. Text, history, and precedent, we conclude, confirm that the Copyright Clause empowers Congress to prescribe “limited Times” for copyright protection and to secure the same level and duration of protection for all copyright holders, present and future.

The CTEA’s baseline term of life plus 70 years, petitioners concede, qualifies as a “limited Tim[e]” as applied to future copyrights. Petitioners contend, however, that existing copyrights extended to endure for that same term are not “limited.” Petitioners’ argument essentially reads into the text of the Copyright Clause the command that a time prescription, once set, becomes forever “fixed” or “inalterable.” The word “limited,” however, does not convey a meaning so constricted. At the time of the Framing, that word meant what it means today: “confine[d] within certain bounds,” “restrain[ed],” or “circumscribe[d].” S. Johnson, *A Dictionary of the English Language* (7th ed. 1785); see T. Sheridan, *A Complete Dictionary of the English Language* (6th ed. 1796) (“confine[d] within certain bounds”); Webster’s Third New International Dictionary 1312 (1976) (“confined within limits”; “restricted in extent, number, or duration”). Thus understood, a timespan appropriately “limited” as applied to future copyrights does not automatically cease to be “limited” when applied to existing copyrights.

To comprehend the scope of Congress’ power under the Copyright Clause, “a page of history is worth a volume of logic.” History reveals an unbroken congressional practice of granting to authors of works with existing copyrights the benefit of term extensions so that all under copyright protection will be governed evenhandedly under the same regime. As earlier recounted, the First Congress accorded the protections of the Nation’s first federal copyright statute to existing and future works alike. Since then, Congress has regularly applied duration extensions to both existing and future copyrights.

Congress’ consistent historical practice of applying newly enacted copyright terms to future and existing copyrights reflects a judgment stated concisely by Representative Huntington at the time of the 1831 Act: “[J]ustice, policy, and equity alike forb[id]” that an “author who had sold his [work] a week ago, be placed in a worse situation than the author who should sell his work the day after the passing of [the] act.” The CTEA follows this historical practice by keeping the duration provisions of the 1976 Act largely in place and simply adding 20 years to each of them. Guided by text, history, and precedent, we cannot agree with petitioners’ submission that extending the duration of existing copyrights is categorically beyond Congress’ authority under the Copyright Clause.

Satisfied that the CTEA complies with the “limited Times” prescription, we turn now to whether it is a rational exercise of the legislative authority conferred by the Copyright Clause. On that point, we defer substantially to Congress.

The CTEA reflects judgments of a kind Congress typically makes, judgments we cannot dismiss as outside the Legislature’s domain. As respondent describes, a key factor in the CTEA’s passage was a 1993 European Union (EU) directive instructing EU members to establish a copyright term of life plus 70 years. Consistent with the Berne Convention, the EU directed its members to deny this longer term to the works of any non-EU country whose laws did not secure the same extended term. By extending the baseline United States

copyright term to life plus 70 years, Congress sought to ensure that American authors would receive the same copyright protection in Europe as their European counterparts. The CTEA may also provide greater incentive for American and other authors to create and disseminate their work in the United States.

In addition to international concerns, Congress passed the CTEA in light of demographic, economic, and technological changes,<sup>2</sup> and rationally credited projections that longer terms would encourage copyright holders to invest in the restoration and public distribution of their works.

In sum, we find that the CTEA is a rational enactment; we are not at liberty to second-guess congressional determinations and policy judgments of this order, however debatable or arguably unwise they may be. Accordingly, we cannot conclude that the CTEA—which continues the unbroken congressional practice of treating future and existing copyrights in parity for term extension purposes—is an impermissible exercise of Congress’ power under the Copyright Clause.

## B

Petitioners’ Copyright Clause arguments rely on several novel readings of the Clause. We next address these arguments and explain why we find them unpersuasive.

### 1

Petitioners contend that even if the CTEA’s 20-year term extension is literally a “limited Tim[e],” permitting Congress to extend existing copyrights allows it to evade the “limited Times” constraint by creating effectively perpetual copyrights through repeated extensions. We disagree.

Nothing before this Court warrants construction of the CTEA’s 20-year term extension as a congressional attempt to evade or override the “limited Times” constraint. Critically, we again emphasize, petitioners fail to show how the CTEA crosses a constitutionally significant threshold with respect to “limited Times” that the 1831, 1909, and 1976 Acts did not. Those earlier Acts did not create perpetual copyrights, and neither does the CTEA.

### 2

Petitioners dominantly advance a series of arguments all premised on the proposition that Congress may not extend an existing copyright absent new consideration from the author. They pursue this main theme under three headings. Petitioners contend that the CTEA’s extension of existing copyrights (1) overlooks the requirement of “originality,” (2) fails to “promote the Progress of Science,” and (3) ignores copyright’s *quid pro quo*.

Petitioners’ “originality” argument draws on *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340 (1991). In *Feist*, we observed that “[t]he *sine qua non* of copyright is originality,” and held that copyright protection is unavailable to “a narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually nonexistent.” Relying on *Feist*, petitioners urge that even if a work is sufficiently “original” to qualify for copyright protection in the first instance, any extension of the copyright’s duration is impermissible because, once published, a work is no longer original.

*Feist*, however, did not touch on the duration of copyright protection. Rather, the decision addressed the



core question of copyrightability, *i.e.*, the “creative spark” a work must have to be eligible for copyright protection at all. Explaining the originality requirement, *Feist* trained on the Copyright Clause words “Authors” and “Writings.” The decision did not construe the “limited Times” for which a work may be protected, and the originality requirement has no bearing on that prescription.

More forcibly, petitioners contend that the CTEA’s extension of existing copyrights does not “promote the Progress of Science” as contemplated by the preambular language of the Copyright Clause. Art. I, § 8, cl. 8. To sustain this objection, petitioners do not argue that the Clause’s preamble is an independently enforceable limit on Congress’ power. Rather, they maintain that the preambular language identifies the sole end to which Congress may legislate; accordingly, they conclude, the meaning of “limited Times” must be “determined in light of that specified end.” The CTEA’s extension of existing copyrights categorically fails to “promote the Progress of Science,” petitioners argue, because it does not stimulate the creation of new works but merely adds value to works already created.

As petitioners point out, we have described the Copyright Clause as “both a grant of power and a limitation,” *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 5 (1966), and have said that “[t]he primary objective of copyright” is “[t]o promote the Progress of Science,” *Feist*, 499 U.S., at 349. The “constitutional command,” we have recognized, is that Congress, to the extent it enacts copyright laws at all, create a “system” that “promote[s] the Progress of Science.” *Graham*, 383 U.S., at 6.

We have also stressed, however, that it is generally for Congress, not the courts, to decide how best to pursue the Copyright Clause’s objectives. The justifications we earlier set out for Congress’ enactment of the CTEA, provide a rational basis for the conclusion that the CTEA “promote[s] the Progress of Science.”

On the issue of copyright duration, Congress, from the start, has routinely applied new definitions or adjustments of the copyright term to both future works and existing works not yet in the public domain. Such consistent congressional practice is entitled to “very great weight, and when it is remembered that the rights thus established have not been disputed during a period of [over two] centur[ies], it is almost conclusive.” *Burrow–Giles Lithographic Co. v. Sarony*, 111 U.S., at 57. Indeed, “[t]his Court has repeatedly laid down the principle that a contemporaneous legislative exposition of the Constitution when the founders of our Government and framers of our Constitution were actively participating in public affairs, acquiesced in for a long term of years, fixes the construction to be given [the Constitution’s] provisions.” *Myers v. United States*, 272 U.S. 52 (1926). Congress’ unbroken practice since the founding generation thus overwhelms petitioners’ argument that the CTEA’s extension of existing copyrights fails *per se* to “promote the Progress of Science.”

Closely related to petitioners’ preambular argument, or a variant of it, is their assertion that the Copyright Clause “imbeds a quid pro quo.” They contend, in this regard, that Congress may grant to an “Autho[r]” an “exclusive Right” for a “limited Tim[e],” but only in exchange for a “Writin[g].” Congress’ power to confer copyright protection, petitioners argue, is thus contingent upon an exchange: The author of an original work receives an “exclusive Right” for a “limited Tim[e]” in exchange for a dedication to the public thereafter. Extending an existing copyright without demanding additional consideration, petitioners maintain, bestows an unpaid-for benefit on copyright holders and their heirs, in violation of the *quid pro quo* requirement.

We can demur to petitioners’ description of the Copyright Clause as a grant of legislative authority

empowering Congress “to secure a bargain—this for that.” But the legislative evolution earlier recalled demonstrates what the bargain entails. Given the consistent placement of existing copyright holders in parity with future holders, the author of a work created in the last 170 years would reasonably comprehend, as the “this” offered her, a copyright not only for the time in place when protection is gained, but also for any renewal or extension legislated during that time. Congress could rationally seek to “promote ... Progress” by including in every copyright statute an express guarantee that authors would receive the benefit of any later legislative extension of the copyright term. Nothing in the Copyright Clause bars Congress from creating the same incentive by adopting the same position as a matter of unbroken practice.

Accordingly, we reject the proposition that a *quid pro quo* requirement stops Congress from expanding copyright’s term in a manner that puts existing and future copyrights in parity.

### III

Petitioners separately argue that the CTEA is a content-neutral regulation of speech that fails heightened judicial review under the First Amendment. We reject petitioners’ plea for imposition of uncommonly strict scrutiny on a copyright scheme that incorporates its own speech-protective purposes and safeguards. The Copyright Clause and First Amendment were adopted close in time. This proximity indicates that, in the Framers’ view, copyright’s limited monopolies are compatible with free speech principles. Indeed, copyright’s purpose is to promote the creation and publication of free expression. As *Harper & Row* observed: “[T]he Framers intended copyright itself to be the engine of free expression. By establishing a marketable right to the use of one’s expression, copyright supplies the economic incentive to create and disseminate ideas.”

In addition to spurring the creation and publication of new expression, copyright law contains built-in First Amendment accommodations. First, it distinguishes between ideas and expression and makes only the latter eligible for copyright protection. Specifically, 17 U.S.C. § 102(b) provides: “In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.” As we said in *Harper & Row*, this “idea/expression dichotomy strike[s] a definitional balance between the First Amendment and the Copyright Act by permitting free communication of facts while still protecting an author’s expression.” Due to this distinction, every idea, theory, and fact in a copyrighted work becomes instantly available for public exploitation at the moment of publication. See *Feist*, 499 U.S., at 349–350.

Second, the “fair use” defense allows the public to use not only facts and ideas contained in a copyrighted work, but also expression itself in certain circumstances. Codified at 17 U.S.C. § 107, the defense provides: “[T]he fair use of a copyrighted work, including such use by reproduction in copies ..., for purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research, is not an infringement of copyright.” The fair use defense affords considerable “latitude for scholarship and comment,” *Harper & Row*, 471 U.S., at 560, and even for parody, see *Campbell v. Acuff–Rose Music, Inc.*, 510 U.S. 569 (1994) (rap group’s musical parody of Roy Orbison’s “Oh, Pretty Woman” may be fair use).

The CTEA itself supplements these traditional First Amendment safeguards. First, it allows libraries,

archives, and similar institutions to “reproduce” and “distribute, display, or perform in facsimile or digital form” copies of certain published works “during the last 20 years of any term of copyright ... for purposes of preservation, scholarship, or research” if the work is not already being exploited commercially and further copies are unavailable at a reasonable price. 17 U.S.C. § 108(h). Second, Title II of the CTEA, known as the Fairness in Music Licensing Act of 1998, exempts small businesses, restaurants, and like entities from having to pay performance royalties on music played from licensed radio, television, and similar facilities.

#### IV

If petitioners’ vision of the Copyright Clause held sway, it would do more than render the CTEA’s duration extensions unconstitutional as to existing works. Indeed, petitioners’ assertion that the provisions of the CTEA are not severable would make the CTEA’s enlarged terms invalid even as to tomorrow’s work. The 1976 Act’s time extensions, which set the pattern that the CTEA followed, would be vulnerable as well.

As we read the Framers’ instruction, the Copyright Clause empowers Congress to determine the intellectual property regimes that, overall, in that body’s judgment, will serve the ends of the Clause. Beneath the facade of their inventive constitutional interpretation, petitioners forcefully urge that Congress pursued very bad policy in prescribing the CTEA’s long terms. The wisdom of Congress’ action, however, is not within our province to second-guess. Satisfied that the legislation before us remains inside the domain the Constitution assigns to the First Branch, we affirm the judgment of the Court of Appeals.

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## Check Your Understanding – *Eldred*

**Question 1.** How did the 1976 Act change the duration of copyright?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=149#h5p-85>

**Question 2.** True or false: By extending the baseline United States copyright term to life plus 70 years, Congress sought to ensure that American authors would receive greater copyright than their European counterparts.



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=149#h5p-86>

**Question 3.** Which of the following did the Court point to as supporting its determination that the CTEA complies with the Copyright Clause’s “limited Times” prescription?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=149#h5p-87>

**Question 4.** Which of the following did the Court point to as supporting its rejection of the First Amendment challenge to the CTEA?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=149#h5p-88>

As summarized in *Eldred*, the 1976 Act dramatically altered the copyright term, and in 1998 the CTEA extended copyright terms an additional 20 years. In between those Acts, the Copyright Amendments Act of 1992 instituted automatic renewal of copyright, which impacted the copyright term, as discussed below. Today, as a result of this legislation, the rules for calculating copyright duration can best be explained by breaking down copyrightable works into three categories: (1) works created on or after January 1, 1978; (2) works created but not copyrighted, and not in the public domain, as of January 1, 1978; and (3) works published before January 1, 1978. Each of these categories is addressed below.

#### **Works created on or after January 1, 1978**

Section 302 sets forth the rules for determining the copyright terms for works created on or after January 1, 1978, the effective date of the Copyright Act. The copyright term of a work created by a single, identified natural person (an individual author) is the life of the author plus 70 years. In the case of a joint work, by two or more identified natural persons, the term consists of the life of the last surviving author plus 70 years.<sup>3</sup> For works made for hire, anonymous works, and pseudonymous works, the term is 95 years from publication, or 120 years from creation, whichever is shorter.

Section 305 of the Copyright Act provides that copyrights extend to the last calendar day of the year in which they expire pursuant to the rules set forth above.

#### **Works created but not copyrighted and not in the public domain as of January 1, 1978**

Section 303(a) of the 1976 Act provides:

Copyright in a work created before January 1, 1978, but not theretofore in the public domain or copyrighted, subsists from January 1, 1978, and endures for the term provided by section 302. In no case, however, shall the term of copyright in such a work expire before December 31, 2002; and, if the work is published on or before December 31, 2002, the term of copyright shall not expire before December 31, 2047.

Recall that prior to the 1976 Act, unpublished works were not covered by federal copyright law, but were eligible for state common law copyright, which was perpetual. Upon publication, the work would no longer be protected by state common law copyright, but would either enter the public domain, if published without notice, or become the subject of federal copyright protection if published with proper notice. Pursuant to § 303(a) of the 1976 Act, works created prior to the Act's effective date, but that were not published or entered into the public domain prior to that date, were afforded a term of copyright protection equal to the term provided for works created on or before January 1, 1978, e.g., the author's life plus 70 years. Under §§ 102 and 103, state common law copyright in fixed works was abolished.

Section 303(a) further provided that all previously uncopyrighted works would enjoy copyright protection until no later than the end of 2002. Thus, no matter how old an unpublished work was at the time the 1976 Act went into effect, it would be afforded a minimum of 25 years of federal copyright protection, i.e., January 1, 1978 to December 31, 2002.

In addition, if a previously unpublished work is published prior to December 31, 2002, § 303(a) provides that the term of copyright will extend to no later than December 31, 2047. Presumably, Congress intended to incentivize publication of these previous unpublished works, by granting up to 45 years of additional copyright as a reward for publication.

### **Works published before January 1, 1978**

Recall that under the 1909 Act the copyright term was 28 years from the date of publication, plus an additional 28 years for authors who successfully renewed their copyright, resulting in a maximum duration of 56 years. The 1976 Act and other subsequent legislation has extended the term of these works predating the 1976 Act.

To summarize, the 1976 Act added an additional 19 years to the renewal term of all works whose copyright was still in force on December 31, 1976, and in 1998 the CTEA added an additional 20 years to any works still protected by copyright at that time, resulting in a total term of 95 years from the date of publication.

Initially, this additional 39 years (19 + 20) was only available for copyright owners who filed for renewal registration in a timely manner. However, in 1992 Congress amended § 304 to make the renewal of works published prior to January 1, 1978 automatic. This automatic renewal only benefits copyright owners whose copyrights were in force as of 1992, i.e., it only applies to works published from 1964 through 1977.<sup>4</sup> This is because, in 1992 the copyrights had already expired in works that were published prior to 1964, and whose owners had not registered for renewal; Congress did not revive those copyrights. Works published after 1978 are not covered by the 1909 Act.

As a consequence of § 304, the term of a work published between 1964 and 1977 is a total of 95 years: a 28 year initial term and a 67 year, automatic renewal term. The term of a work published prior to 1964 will depend upon whether it was properly renewed. If the copyright was renewed, the term of copyright is a total of 95 years: the 28 year initial term plus a 67 year renewal term. However, if the copyright was not renewed, it expired after its initial 28 year term, i.e., sometime prior to 1992.

Determining what is or isn't in the public domain can be a complicated and lengthy process. Cornell University Library maintains a chart that can be a helpful resource for determining a work's copyright term,

and whether (or when) the work will enter the public domain, which as of the time this casebook is being revised could be accessed at the following URL: Cornell University Library: Copyright Term and the Public Domain in the United States (<https://guides.library.cornell.edu/copyright/publicdomain>).

## FOOTNOTES:

<sup>1</sup> For an example of copyright entering the public domain due to the copyright owner's failure to renew, see *Warner Bros. Entm't v. X One X Prods.*, 44 F.3d 584 (8th Cir. 2011), a decision that appears later in this casebook.

<sup>2</sup> Members of Congress expressed the view that, as a result of increases in human longevity and in parents' average age when their children are born, the pre-CTEA term did not adequately secure "the right to profit from licensing one's work during one's lifetime and to take pride and comfort in knowing that one's children—and perhaps their children—might also benefit from one's posthumous popularity." 141 Cong. Rec. 6553 (1995) (statement of Sen. Feinstein); see 144 Cong. Rec. S12377 (daily ed. Oct. 12, 1998) (statement of Sen. Hatch) ("Among the main developments [compelling reconsideration of the 1976 Act's term] is the effect of demographic trends, such as increasing longevity and the trend toward rearing children later in life, on the effectiveness of the life-plus-50 term to provide adequate protection for American creators and their heirs."). Also cited was "the failure of the U.S. copyright term to keep pace with the substantially increased commercial life of copyrighted works resulting from the rapid growth in communications media."

<sup>3</sup> 17 U.S.C. § 302(b).

<sup>4</sup> COPYRIGHT AMENDMENTS ACT OF 1992, PL 102-307, June 26, 1992, 106 Stat 264 (The amendments made by this section shall apply only to those copyrights secured between January 1, 1964, and December 31, 1977. Copyrights secured before January 1, 1964, shall be governed by the provisions of section 304(a) of title 17, United States Code, as in effect on the day before the effective date of this section.)

# Chapter 8: Reversion of Renewal Rights and Termination

Not only did the requirement of renewal under the 1976 Act result in many copyrighted works entering the public domain after 28 years (in cases in which the author did not take the necessary steps to renew the copyright), it also provided some benefit to authors by automatically reverting the copyright to the original author, even if that author had transferred all rights in the copyright during its initial 28 year term. Thus, an author who had transferred her copyright to a music publisher, for example, was able to renew the copyright after the initial 28 years and thereby recapture the copyright for the renewal term. This was a particularly valuable opportunity for the author in cases in which the perceived value of the work increased after the initial transfer of the copyright, in which case the author would be able to renegotiate a higher royalty for the work the second time around, either to the original transferee, or perhaps to a new transferee.

For example, an author of a comic book series might not be able to negotiate a very lucrative deal with a publisher when the author is still unknown—perhaps it is the author’s first published work, and the only readers are adolescent boys. Twenty-eight years later, the hero of the comic book might have become the subject of blockbuster movies, in which case the author (or his heirs) might be able to negotiate a much more lucrative deal for the renewal of rights in the comic book series and its characters.

An author can renew the copyright by filing an application for renewal within a year before the expiration of the first 28 year term. If the author is no longer alive, his successor in interest, e.g., widow, children, etc., can renew.

In *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943), the Supreme Court held that when an author assigns his interest in the renewal copyright before he has secured it, then the assignee will own the renewal term, so long as the author survived into the renewal period, and the agreement clearly conveyed the right for valid consideration.

Later, in *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960), the Supreme Court introduced an important caveat, holding that if the author dies prior to vesting of the renewal period, any assignment by the author of the renewal copyright is void as a contingent interest, and the copyright renewal term goes to the successors of the author, as specifically identified in the Copyright Act. Significantly, an author and his assignee cannot contract around this limitation on the ability of an author to assign his renewal term prior to its vesting.

The following Supreme Court decision, *Stewart v. Abend*, addresses the question of what happens when the author assigns the renewal right and dies prior to vesting of the renewal right, and the assignee made a derivative work based on the originally assigned work. In particular, the case involved an author who assigned his rights in a short story to a movie production company, along with his right to the renewal term. The movie production company made a movie based on the short story, and after the copyright in the short story came up for renewal, the author’s successor argued that the movie production company could no longer exploit the movie without the successor’s permission.

Some things to consider when reading *Stewart*:

1. The Court's discussion of its earlier, related decisions in *Fred Fisher* and *Miller Music*, including the congressional intent and policy considerations relating to copyright renewal and reversion of the renewal term.
2. The holding of *Rohauer v. Killiam Shows, Inc.*, and why the Supreme Court overruled it in *Stewart*.
3. The policy implications of the Court's holding.

### *Stewart v. Abend*

495 U.S. 207 (1990)

Justice O'CONNOR delivered the opinion of the Court.

The author of a pre-existing work may assign to another the right to use it in a derivative work. In this case the author of a pre-existing work agreed to assign the rights in his renewal copyright term to the owner of a derivative work, but died before the commencement of the renewal period. The question presented is whether the owner of the derivative work infringed the rights of the successor owner of the pre-existing work by continued distribution and publication of the derivative work during the renewal term of the pre-existing work.

#### I

Cornell Woolrich authored the story "It Had to Be Murder," which was first published in February 1942 in *Dime Detective Magazine*. The magazine's publisher, Popular Publications, Inc., obtained the rights to magazine publication of the story and Woolrich retained all other rights.

The Copyright Act of 1909 provided authors a 28-year initial term of copyright protection plus a 28-year renewal term. See 17 U.S.C. § 24 (1976 ed.). In 1945, Woolrich agreed to assign the rights to make motion picture versions of six of his stories, including "It Had to Be Murder," to B.G. De Sylva Productions for \$9,250. He also agreed to renew the copyrights in the stories at the appropriate time and to assign the same motion picture rights to De Sylva Productions for the 28-year renewal term. In 1953, actor Jimmy Stewart and director Alfred Hitchcock formed a production company, Patron, Inc., which obtained the motion picture rights in "It Had to Be Murder" from De Sylva's successors in interest for \$10,000.

In 1954, Patron, Inc., along with Paramount Pictures, produced and distributed "Rear Window," the motion picture version of Woolrich's story "It Had to Be Murder." Woolrich died in 1968 before he could obtain the rights in the renewal term for petitioners as promised and without a surviving spouse or child. He left his property to a trust administered by his executor, Chase Manhattan Bank, for the benefit of Columbia University. On December 29, 1969, Chase Manhattan Bank renewed the copyright in the "It Had to Be Murder" story pursuant to 17 U.S.C. § 24 (1976 ed.). Chase Manhattan assigned the renewal rights to respondent Abend for \$650 plus 10% of all proceeds from exploitation of the story.



“Rear Window” was broadcast on the ABC television network in 1971. Respondent then notified petitioners Hitchcock (now represented by cotrustees of his will), Stewart, and MCA Inc., the owners of the “Rear Window” motion picture and renewal rights in the motion picture, that he owned the renewal rights in the copyright and that their distribution of the motion picture without his permission infringed his copyright in the story. Hitchcock, Stewart, and MCA nonetheless entered into a second license with ABC to rebroadcast the motion picture. In 1974, respondent filed suit against these same petitioners, and others, in the United States District Court for the Southern District of New York, alleging copyright infringement. Respondent dismissed his complaint in return for \$25,000.

Three years later, the United States Court of Appeals for the Second Circuit decided *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (1977), in which it held that the owner of the copyright in a derivative work may continue to use the existing derivative work according to the original grant from the author of the pre-existing work even if the grant of rights in the pre-existing work lapsed. Several years later, apparently in reliance on *Rohauer*, petitioners re-released the motion picture in a variety of media, including new 35 and 16 millimeter prints for theatrical exhibition in the United States, videocassettes, and videodiscs. They also publicly exhibited the motion picture in theaters, over cable television, and through videodisc and videocassette rentals and sales.

Respondent then brought the instant suit in the United States District Court for the Central District of California against Hitchcock, Stewart, MCA, and Universal Film Exchanges, a subsidiary of MCA and the distributor of the motion picture. Respondent’s complaint alleges that the re-release of the motion picture infringes his copyright in the story because petitioners’ right to use the story during the renewal term lapsed when Woolrich died before he could register for the renewal term and transfer his renewal rights to them. Respondent also contends that petitioners have interfered with his rights in the renewal term of the story in other ways. He alleges that he sought to contract with Home Box Office (HBO) to produce a play and television version of the story, but that petitioners wrote to him and HBO stating that neither he nor HBO could use either the title, “Rear Window” or “It Had to Be Murder.” Respondent also alleges that petitioners further interfered with the renewal copyright in the story by attempting to sell the right to make a television sequel and that the re-release of the original motion picture itself interfered with his ability to produce other derivative works.

## II

### A

Petitioners would have us read into the Copyright Act a limitation on the statutorily created rights of the owner of an underlying work. They argue in essence that the rights of the owner of the copyright in the derivative use of the pre-existing work are extinguished once it is incorporated into the derivative work, assuming the author of the pre-existing work has agreed to assign his renewal rights. Because we find no support for such a curtailment of rights in either the 1909 Act or the 1976 Act, or in the legislative history of either, we affirm the judgment of the Court of Appeals.

Petitioners and amicus Register of Copyrights assert, as the Court of Appeals assumed, that § 23 [sic, presumably the Court means § 24] of the 1909 Act, and the case law interpreting that provision, directly control the disposition of this case. Respondent counters that the provisions of the 1976 Act control, but

that the 1976 Act reenacted § 24 in § 304 and, therefore, the language and judicial interpretation of § 24 are relevant to our consideration of this case. Under either theory, we must look to the language of and case law interpreting § 24.

The right of renewal found in § 24 provides authors a second opportunity to obtain remuneration for their works. Section 24 provides:

“[T]he author of [a copyrighted] work, if still living, or the widow, widower, or children of the author, if the author be not living, or if such author, widow, widower, or children be not living, then the author’s executors, or in the absence of a will, his next of kin shall be entitled to a renewal and extension of the copyright in such work for a further term of twenty-eight years when application for such renewal and extension shall have been made to the copyright office and duly registered therein within one year prior to the expiration of the original term of copyright.” 17 U.S.C. § 24 (1976 ed.)

Since the earliest copyright statute in this country, the copyright term of ownership has been split between an original term and a renewal term. Originally, the renewal was intended merely to serve as an extension of the original term; at the end of the original term, the renewal could be effected and claimed by the author, if living, or by the author’s executors, administrators, or assigns. In 1831, Congress altered the provision so that the author could assign his contingent interest in the renewal term, but could not, through his assignment, divest the rights of his widow or children in the renewal term. In this way, Congress attempted to give the author a second chance to control and benefit from his work. Congress also intended to secure to the author’s family the opportunity to exploit the work if the author died before he could register for the renewal term. The evident purpose of the renewal provision is to provide for the family of the author after his death. Since the author cannot assign his family’s renewal rights, it takes the form of a compulsory bequest of the copyright to the designated persons. See *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643, 651 (1943) (if at the end of the original copyright period, the author is not living, his family stands in more need of the only means of subsistence ordinarily left to them).

In its debates leading up to the Copyright Act of 1909, Congress elaborated upon the policy underlying a system comprised of an original term and a completely separate renewal term. It not infrequently happens that the author sells his copyright outright to a publisher for a comparatively small sum. The renewal term permits the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested. Unlike real property and other forms of personal property, a copyright is by its very nature incapable of accurate monetary evaluation prior to its exploitation. If the work proves to be a great success and lives beyond the term of twenty-eight years, it should be the exclusive right of the author to take the renewal term, and the law should be framed so that the author could not be deprived of that right. With these purposes in mind, Congress enacted the renewal provision of the Copyright Act of 1909, 17 U.S.C. § 24 (1976 ed.). With respect to works in their original or renewal term as of January 1, 1978, Congress retained the two-term system of copyright protection in the 1976 Act. See 17 U.S.C. §§ 304(a) and (b) (1988 ed.) (incorporating language of 17 U.S.C. § 24 (1976 ed.)).

Applying these principles in *Miller Music Corp. v. Charles N. Daniels, Inc.*, 362 U.S. 373 (1960), this Court held that when an author dies before the renewal period arrives, his executor is entitled to the renewal rights, even though the author previously assigned his renewal rights to another party. An assignment by an author of his renewal rights made before the original copyright expires is valid against the world, if the

author is alive at the commencement of the renewal period. *Fred Fisher Co. v. M. Witmark & Sons*, 318 U.S. 643, so holds. If the author dies before that time, the next of kin obtain the renewal copyright free of any claim founded upon an assignment made by the author in his lifetime. These results follow not because the author's assignment is invalid but because he had only an expectancy to assign; and his death, prior to the renewal period, terminates his interest in the renewal which by § 24 vests in the named classes." The legislative history of the 1909 Act echoes this view: "The right of renewal is contingent. It does not vest until the end [of the original term]. If [the author] is alive at the time of renewal, then the original contract may pass it, but his widow or children or other persons entitled would not be bound by that contract." Thus, the renewal provisions were intended to give the author a second chance to obtain fair remuneration for his creative efforts and to provide the author's family a "new estate" if the author died before the renewal period arrived.

An author holds a bundle of exclusive rights in the copyrighted work, among them the right to copy and the right to incorporate the work into derivative works. By assigning the renewal copyright in the work without limitation, as in *Miller Music*, the author assigns all of these rights. After *Miller Music*, if the author dies before the commencement of the renewal period, the assignee holds nothing. If the assignee of all of the renewal rights holds nothing upon the death of the assignor before arrival of the renewal period, then, a fortiori, the assignee of a portion of the renewal rights, e.g., the right to produce a derivative work, must also hold nothing. Therefore, if the author dies before the renewal period, then the assignee may continue to use the original work only if the author's successor transfers the renewal rights to the assignee. This is the rule adopted by the Court of Appeals below and advocated by the Register of Copyrights. Application of this rule to this case should end the inquiry. Woolrich died before the commencement of the renewal period in the story, and, therefore, petitioners hold only an unfulfilled expectancy. Petitioners have been "deprived of nothing. Like all purchasers of contingent interests, [they took] subject to the possibility that the contingency may not occur." *Miller Music*, 362 U.S. at 378.

## B

The reason that our inquiry does not end here, and that we granted certiorari, is that the Court of Appeals for the Second Circuit reached a contrary result in *Rohauer v. Killiam Shows, Inc.*, 551 F.2d 484 (1977). Petitioners' theory is drawn largely from *Rohauer*. The Court of Appeals in *Rohauer* attempted to craft a "proper reconciliation" between the owner of the pre-existing work, who held the right to the work pursuant to *Miller Music*, and the owner of the derivative work, who had a great deal to lose if the work could not be published or distributed. Addressing a case factually similar to this case, the court concluded that even if the death of the author caused the renewal rights in the pre-existing work to revert to the statutory successor, the owner of the derivative work could continue to exploit that work. The court reasoned that the 1976 Act and the relevant precedents did not preclude such a result and that it was necessitated by a balancing of the equities:

"[T]he equities lie preponderantly in favor of the proprietor of the derivative copyright. In contrast to the situation where an assignee or licensee has done nothing more than print, publicize and distribute a copyrighted story or novel, a person who with the consent of the author has created an opera or a motion picture film will often have made contributions literary, musical and economic, as great as or greater than the original author.... [T]he purchaser of derivative rights has no truly

effective way to protect himself against the eventuality of the author's death before the renewal period since there is no way of telling who will be the surviving widow, children or next of kin or the executor until that date arrives.”

The Court of Appeals for the Second Circuit thereby shifted the focus from the right to use the pre-existing work in a derivative work to a right inhering in the created derivative work itself. By rendering the renewal right to use the original work irrelevant, the court created an exception to our ruling in *Miller Music* and, as petitioners concede, created an intrusion on the statutorily created rights of the owner of the pre-existing work in the renewal term.

Though petitioners do not, indeed could not, argue that its language expressly supports the theory they draw from *Rohauer*, they implicitly rely on § 6 of the 1909 Act, 17 U.S.C. § 7 (1976 ed.), which states that “dramatizations ... of copyrighted works when produced with the consent of the proprietor of the copyright in such works ... shall be regarded as new works subject to copyright under the provisions of this title.” Petitioners maintain that the creation of the “new,” i.e., derivative, work extinguishes any right the owner of rights in the pre-existing work might have had to sue for infringement that occurs during the renewal term.

We think that this conclusion is neither warranted by any express provision of the Copyright Act, nor by the rationale as to the scope of protection achieved in a derivative work. It is moreover contrary to the axiomatic copyright principle that a person may exploit only such copyrighted literary material as he either owns or is licensed to use. The aspects of a derivative work added by the derivative author are that author's property, but the element drawn from the pre-existing work remains on grant from the owner of the pre-existing work. So long as the pre-existing work remains out of the public domain, its use is infringing if one who employs the work does not have a valid license or assignment for use of the pre-existing work. It is irrelevant whether the pre-existing work is inseparably intertwined with the derivative work. See *Gilliam v. American Broadcasting Cos.*, 538 F.2d 14, 20 (CA2 1976) (“[C]opyright in the underlying script survives intact despite the incorporation of that work into a derivative work”). Indeed, the plain language of § 7 supports the view that the full force of the copyright in the pre-existing work is preserved despite incorporation into the derivative work. See 17 U.S.C. § 7 (1976 ed.) (publication of the derivative work “shall not affect the force or validity of any subsisting copyright upon the matter employed”); see also 17 U.S.C. § 3 (1976 ed.) (copyright protection of a work extends to “all matter therein in which copyright is already subsisting, but without extending the duration or scope of such copyright”). This well-settled rule also was made explicit in the 1976 Act:

“The copyright in a compilation or derivative work extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work, and does not imply any exclusive right in the preexisting material. The copyright in such work is independent of, and does not affect or enlarge the scope, duration, ownership, or subsistence of, any copyright protection in the pre-existing material.” 17 U.S.C. § 103(b).

Properly conceding there is no explicit support for their theory in the 1909 Act, its legislative history, or the case law, petitioners contend, as did the court in *Rohauer*, that the termination provisions of the 1976 Act, while not controlling, support their theory of the case. For works existing in their original or renewal terms as of January 1, 1978, the 1976 Act added 19 years to the 1909 Act's provision of 28 years of initial copyright protection and 28 years of renewal protection. See 17 U.S.C. §§ 304(a) and (b). For those works, the author has the power to terminate the grant of rights at the end of the renewal term and, therefore, to gain the benefit

of that additional 19 years of protection. See § 304(c). In effect, the 1976 Act provides a third opportunity for the author to benefit from a work in its original or renewal term as of January 1, 1978. Congress, however, created one exception to the author's right to terminate: The author may not, at the end of the renewal term, terminate the right to use a derivative work for which the owner of the derivative work has held valid rights in the original and renewal terms. See § 304(c)(6)(A). The author, however, may terminate the right to create new derivative works. *Ibid.* For example, if petitioners held a valid copyright in the story throughout the original and renewal terms, and the renewal term in “Rear Window” were about to expire, petitioners could continue to distribute the motion picture even if respondent terminated the grant of rights, but could not create a new motion picture version of the story. Both the court in *Rohauer* and petitioners infer from this exception to the right to terminate an intent by Congress to prevent authors of pre-existing works from blocking distribution of derivative works. In other words, because Congress decided not to permit authors to exercise a third opportunity to benefit from a work incorporated into a derivative work, the Act expresses a general policy of undermining the author's second opportunity. We disagree.

The process of compromise between competing special interests leading to the enactment of the 1976 Act undermines any such attempt to draw an overarching policy out of § 304(c)(6)(A), which only prevents termination with respect to works in their original or renewal copyright terms as of January 1, 1978, and only at the end of the renewal period.

In fact, if the 1976 Act's termination provisions provide any guidance at all in this case, they tilt against petitioners' theory. The plain language of the termination provision itself indicates that Congress assumed that the owner of the pre-existing work possessed the right to sue for infringement even after incorporation of the pre-existing work in the derivative work.

“A derivative work *prepared* under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.” § 304(c)(6)(A) (emphasis added).

Congress would not have stated explicitly in § 304(c)(6)(A) that, at the end of the renewal term, the owner of the rights in the pre-existing work may not terminate use rights in existing derivative works unless Congress had assumed that the owner continued to hold the right to sue for infringement even after incorporation of the pre-existing work into the derivative work.

Accordingly, we conclude that neither the 1909 Act nor the 1976 Act provides support for the theory set forth in *Rohauer*. And even if the theory found some support in the statute or the legislative history, the approach set forth in *Rohauer* is problematic. Petitioners characterize the result in *Rohauer* as a bright-line “rule.” The Court of Appeals in *Rohauer*, however, expressly implemented policy considerations as a means of reconciling what it viewed as the competing interests in that case. While the result in *Rohauer* might make some sense in some contexts, it makes no sense in others. In the case of a condensed book, for example, the contribution by the derivative author may be little, while the contribution by the original author is great. Yet, under the *Rohauer* “rule,” publication of the condensed book would not infringe the pre-existing work even though the derivative author has no license or valid grant of rights in the pre-existing work. See Brief for Committee for Literary Property Studies as *Amicus Curiae* 29–31; see also Brief for Songwriters Guild of America as *Amicus Curiae* 11–12 (policy reasons set forth in *Rohauer* make little sense when applied to

musical compositions). Thus, even if the *Rohauer* “rule” made sense in terms of policy in that case, it makes little sense when it is applied across the derivative works spectrum.

Finally, petitioners urge us to consider the policies underlying the Copyright Act. They argue that the rule announced by the Court of Appeals will undermine one of the policies of the Act—the dissemination of creative works—by leading to many fewer works reaching the public. *Amicus* Columbia Pictures asserts that “[s]ome owners of underlying work renewal copyrights may refuse to negotiate, preferring instead to retire their copyrighted works, and all derivative works based thereon, from public use. Others may make demands—like respondent’s demand for 50% of petitioners’ future gross proceeds in excess of advertising expenses ...—which are so exorbitant that a negotiated economic accommodation will be impossible.” Brief for Columbia Pictures et al. as *Amici Curiae* 21. These arguments are better addressed by Congress than the courts.

In any event, the complaint that respondent’s monetary request in this case is so high as to preclude agreement fails to acknowledge that an initially high asking price does not preclude bargaining. Presumably, respondent is asking for a share in the proceeds because he wants to profit from the distribution of the work, not because he seeks suppression of it.

Moreover, although dissemination of creative works is a goal of the Copyright Act, the Act creates a balance between the artist’s right to control the work during the term of the copyright protection and the public’s need for access to creative works. The copyright term is limited so that the public will not be permanently deprived of the fruits of an artist’s labors. But nothing in the copyright statutes would prevent an author from hoarding all of his works during the term of the copyright. In fact, this Court has held that a copyright owner has the capacity arbitrarily to refuse to license one who seeks to exploit the work. See *Fox Film Corp. v. Doyal*, 286 U.S. 123, 127 (1932).

The limited monopoly granted to the artist is intended to provide the necessary bargaining capital to garner a fair price for the value of the works passing into public use. When an author produces a work which later commands a higher price in the market than the original bargain provided, the copyright statute is designed to provide the author the power to negotiate for the realized value of the work. That is how the separate renewal term was intended to operate. At heart, petitioners’ true complaint is that they will have to pay more for the use of works they have employed in creating their own works. But such a result was contemplated by Congress and is consistent with the goals of the Copyright Act.

With the Copyright Act of 1790, Congress provided an initial term of protection plus a renewal term that did not survive the author. In the Copyright Act of 1831, Congress devised a completely separate renewal term that survived the death of the author so as to create a “new estate” and to benefit the author’s family, and, with the passage of the 1909 Act, his executors. The 1976 Copyright Act provides a single, fixed term, but provides an inalienable termination right. See 17 U.S.C. §§ 203, 302. This evolution of the duration of copyright protection tellingly illustrates the difficulties Congress faces in attempting to “secur[e] for limited Times to Authors ... the exclusive Right to their respective Writings.” U.S. Const., Art. I, § 8, cl. 8. Absent an explicit statement of congressional intent that the rights in the renewal term of an owner of a pre-existing work are extinguished upon incorporation of his work into another work, it is not our role to alter the delicate balance Congress has labored to achieve.

For the foregoing reasons, the judgment of the Court of Appeals is affirmed, and the case is remanded for further proceedings consistent with this opinion.

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## Check Your Understanding – *Stewart*

**Question 1.** Under the 1909 Act, when an author of a pre-existing work agrees to assign the rights in his renewal copyright term, but then dies before commencement of the renewal period, which of the following is correct?



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<https://holmancopyright.lawbooks.cali.org/?p=152#h5p-89>

**Question 2.** Under the 1976 Act, when an author terminates an assignment of copyright in a pre-existing work at the end of the renewal term, which of the following is correct?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=152#h5p-90>

The Supreme Court’s decisions in *Fred Fisher* and *Abend* resulted in two distinct policy concerns. First, although Congress clearly intended for authors to be able to regain the renewal term of their copyright in order to get a “second bite at the apple,” under *Fred Fisher* an assignee could require an author to assign not only the initial copyright term, but also at the same time the renewal term. An author in a relatively weak negotiating position could be compelled to make this assignment, thus subverting congressional intent.

The second policy concern, raised by *Abend*, is that if the author dies before the vesting of the renewal right, the author’s successor will be able to block the ability of an assignee to exploit a derivative work based on the licensed work. Recall that the Second Circuit attempted to address this issue in *Rohauer* by holding that the assignee would retain the right to exploit the derivative works, but the Supreme Court in *Abend* overturned *Rohauer* as precluded by *Miller Music*’s interpretation of the Copyright Act.

When Congress enacted the 1976 Act it eliminated copyright renewal for post-1977 works by creating a single, unitary copyright, but created a “termination right” that is intended to benefit authors and their successors in a manner comparable to the reversion of renewal rights under the 1909 Act. In particular, § 203 of the 1976 Act provides that an author may terminate an assignment or license of a copyright 35 years after the transfer has been made. Significantly, the termination right is inalienable—an author cannot agree to relinquish his termination right, and any agreement purporting to do so is unenforceable as a matter

of law. In particular, § 203(a)(5) provides, “Termination of the grant may be effected notwithstanding any agreement to the contrary, including an agreement to make a will or to make any future grant.” Congress clearly intended to protect authors from being pressured into agreeing to forgo termination rights, and did so by denying authors the ability to do so, as a matter of law, thereby addressing the policy concern raised by *Fred Fisher*.

In enacting § 203 Congress also addressed the policy concern raised by *Stewart*, by including a provision that permits the owner of a derivative work to continue to exploit that work even after the original transfer has been terminated. In particular, § 203(b)(1) provides:

A derivative work prepared under authority of the grant before its termination may continue to be utilized under the terms of the grant after its termination, but this privilege does not extend to the preparation after the termination of other derivative works based upon the copyrighted work covered by the terminated grant.

The § 203 termination right is available for transfers of copyright made on or after January 1, 1978. Authors have a five-year window, starting in the 35<sup>th</sup> year of the transfer, within which to terminate. In order to be effective, the author must serve notice of the termination to the transferee between two and 10 years of the effective date of the termination.

Termination under § 203 is available for any transfer of interest in copyright made by the author during her lifetime, including assignments as well as exclusive and nonexclusive licenses. It does not, however, apply to transfers made by third parties, nor does it apply to works made for hire.

In the case of a joint work, the termination right can be exercised by a majority of the authors who transferred the right. If the author is dead, then the termination right can be enforced by the author’s successor (or successors), as specified in the statute. For example, if the author is married and has children, 50% of the termination right rests with the author’s widow or widower, and 50% with the author’s children. In order to effectuate the termination right, a majority of those with an interest in the termination must join in signing the termination. Copyright can be re-granted subsequent to termination.

In enacting the 1976 Act, Congress also created a right to terminate transfers made before January 1, 1978, as provided for in § 304(c). The statutory rules for termination under § 304(c) are similar but not identical to those under § 203. The rules allow an author to terminate any pre-1978 transfer 56 years after the work was first published, thereby allowing the author to recapture the benefits of the two term extensions of 19 and 20 years provided by the 1976 Act and 1998’s CTEA, respectively. If the opportunity to terminate at the 56 year mark had already expired unexercised as of the effective date of the 1998 term extension, then the author may terminate the transfer 75 years after the work was first published, thereby enabling the author to recapture the additional 20 years provided by the CTEA.

Termination under § 304(c) may be effectuated within a five-year period after the relevant date, i.e., 56 or 75 years after the work was first published. Notice must be provided between two and 10 years of the effective date of termination. One difference between termination under § 304(c) and § 203 is that § 304(c) applies to transfers by third parties as well as authors, while § 203 only applies to transfers by authors.

As is the case with the § 203 termination right, the right to terminate under § 304(c) is inalienable



“notwithstanding any agreement to the contrary.” 17 U.S.C. § 304(c)(5). The statute also permits the owner of a derivative work to continue to exploit that work even after the original transfer has been terminated under § 304(c). 17 U.S.C. § 304(c)(6)(a).

The following decision explores the scope of termination of rights under § 304(c) in a case involving Marvel’s Captain America character.

Some things to consider when reading *Marvel Characters*:

1. The basis for Marvel’s argument that by entering into the earlier settlement agreement the author had effectively forfeited his right to terminate.
2. The court’s interpretation of § 304(c)’s “any agreement to the contrary” language, and why this resulted in the author prevailing.
3. The court’s mention of the transferee’s right to continue exploiting derivative works created prior to termination.

### *Marvel Characters, Inc. v. Simon*

310 F.3d 280 (2d Cir. 2002)

McLAUGHLIN, Circuit Judge.

This appeal requires us to examine the scope of the termination provision of the Copyright Act of 1976 (the “1976 Act”), 17 U.S.C. § 304(c). Section 304(c) grants authors (or if deceased, their statutory heirs) an inalienable right to terminate a grant in a copyright fifty-six years after the original grant “notwithstanding any agreement to the contrary.” 17 U.S.C. § 304(c)(3),(5). The termination provision, however, has one salient exception: copyright grants in works created for hire cannot be terminated. 17 U.S.C. § 304(c).

The question of first impression raised here is whether a settlement agreement, entered into long after a work’s creation, stipulating that a work was created for hire constitutes “any agreement to the contrary” under the 1976 Act. We conclude that it does and, therefore, reverse.

#### **BACKGROUND**

This being an appeal from a grant of summary judgment to plaintiff Marvel Comics, Inc. (“Marvel”), we view the deposition testimony, affidavits, and documentary evidence in the light most favorable to defendant Joseph H. Simon, the non-moving party.

#### **I. Publication of *Captain America Comics***

In December 1940, Martin and Jean Goodman, doing business as Timely Publications and Timely Comics, Inc. (collectively “Timely”) published the first issue of the now iconic *Captain America Comics*. Captain America,

a.k.a. Steve Rogers, was an army-reject turned superhero who was charged with protecting America from all enemies, especially Nazi spies. Authorship of the comic book was attributed to Simon and Jack Kirby.

According to Simon, he created Captain America as an independent, freelance project before shopping it around to various publishers. Although there was no written agreement between the parties, Simon contends that he sold the Captain America story to Timely for a fixed page rate plus a twenty-five percent share of the profits of the comic books. Simon also maintains that he created the second through tenth issues of *Captain America Comics* on a freelance basis, and orally assigned his interest in *Captain America Comics* and the Captain America character (collectively the “Works”) to Timely.

During 1941, Timely published the second through tenth issues of *Captain America Comics*. Shortly after their publication, Timely applied for and received certificates of registration of the copyrights for each issue of the Works. The Works were a tremendous success, and to this day continue to generate substantial revenue for Marvel, Timely’s successor in interest.

## **II. The Copyright Act of 1909**

Under the Copyright Act of 1909 (the “1909 Act”), in effect at the time of Simon’s purported creation of Captain America and assignment to Timely, an author was entitled to a copyright in his work for twenty-eight years from the date of its publication. Upon expiration of the first twenty-eight year term, the author could renew the copyright for a second twenty-eight year period (the “renewal term”) simply by applying to the United States Copyright Office (“Copyright Office”). The Supreme Court has noted that the renewal term operated to “permit[ ] the author, originally in a poor bargaining position, to renegotiate the terms of the grant once the value of the work has been tested.” *Stewart v. Abend*, 495 U.S. 207, 218–19 (1990).

## **III. The Prior Actions**

As the initial twenty-eight year term of copyright in the Captain America Works neared its completion, Simon commenced two separate lawsuits (the “Prior Actions”) against the Goodmans and their affiliates.

In October 1966, Simon sued in New York State Supreme Court (the “State Action”) claiming that, because he was the author of the Works, the Goodmans’ exploitation of the Captain America character constituted unfair competition and misappropriation of his state law property rights. Simon sought an accounting, damages, and injunctive relief in the State Action.

One year later, Simon filed a similar action against the Goodmans and their affiliates in the United States District Court for the Southern District of New York (the “Federal Action”). In this action, Simon sought a declaratory judgment that he, as the author of the Works, had the sole and exclusive right to the renewal term of the copyright in the Works.

In November 1969, after two years of discovery, the parties to the Prior Actions entered into a settlement agreement (the “Settlement Agreement”). In the Settlement Agreement, Simon acknowledged that his contribution to the Works “was done as an employee for hire of the Goodmans.”

## **IV. The Copyright Act of 1976**

The legislative purpose behind the 1909 Act’s renewal right—to provide authors a second chance to benefit

from their works—was dealt a serious blow by the Supreme Court’s decision in *Fred Fisher Music Co. v. M. Witmark & Sons*, 318 U.S. 643 (1943). In *Fisher Music*, the Supreme Court addressed the renewal rights in the ever-popular (not to mention mellifluous) song “When Irish Eyes Are Smiling.” The Court held that renewal rights were assignable by an author during the initial copyright term, before the renewal right vested.

Not surprisingly, after *Fisher Music* publishers began to insist that authors assign both their initial and renewal rights to them in one transfer. The natural effect of this, of course, was to eliminate the author’s renewal right under the 1909 Act.

In 1976, Congress enacted a comprehensive revision of the Copyright Act. Responding to the continual erosion of authors’ rights subsequent to the 1909 Act, Congress extended the duration of copyrights then in their renewal terms for an additional nineteen years (the “extended renewal term”). See 17 U.S.C. § 304(b). More significantly, however, the 1976 Act gave new protections to authors. It allowed authors to terminate the rights of a grantee to whom the author had transferred rights in the original work. See 17 U.S.C. § 304(c). This termination provision provides, in relevant part:

In the case of any copyright subsisting in either its first or renewal term on January 1, 1978, *other than a copyright in a work made for hire*, the exclusive or nonexclusive grant of a transfer or license of the renewal copyright or any right under it, executed before January 1, 1978, by any of the persons designated [by statute], otherwise than by will, is subject to termination under the following conditions:

...

(5) Termination of the grant may be effected *notwithstanding any agreement to the contrary*, including an agreement to make a will or to make any future grant.

17 U.S.C. §§ 304(c) and 304(c)(5) (emphasis added). Section 304 further provides that terminations may be “effected at any time during a period of five years beginning at the end of fifty-six years from the date copyright was originally secured.” 17 U.S.C. § 304(c)(3).

### **V. The Proceedings Below**

In December 1999, recognizing an opportunity created by § 304(c) to reclaim his copyright in the Works, Simon filed Notices of Termination (the “Termination Notices”) with the Copyright Office purporting to terminate his transfers of the copyrights to Timely pursuant to § 304(c). In the Termination Notices, Simon claimed that he independently created the Captain America character and authored the first issue in the Captain America comic book series, and that he was “neither an employee for hire nor a creator of a work for hire.”

Thereafter, Marvel—as Timely’s successor in interest in all rights, title, and interest to the Works by virtue of a series of assignments—commenced this action in the United States District Court for the Southern District of New York (Casey, J.) seeking a declaratory judgment that the Termination Notices were invalid and that Marvel remains the sole owner of the copyrights in the Works.

The district court held that Marvel was entitled to summary judgment on these claims based on the

plain language of the Settlement Agreement. The court found that Simon's unambiguous acknowledgment in the Settlement Agreement that he created the Works "for hire" prevented Simon from exercising the termination right under § 304(c).

This appeal followed.

## DISCUSSION

### *III. Application of Section 304(c) of the 1976 Act*

We turn, at length, to the issue of first impression presented by this case: whether an agreement made subsequent to a work's creation that declares that it is a work created for hire constitutes an "agreement to the contrary" under § 304(c)(5) of the 1976 Act. The district court never addressed this question. Instead, it simply assumed that because Simon had conceded in the unambiguous Settlement Agreement that the Works were created for hire, he could not now assert that he was the Works' author for purposes of exercising the termination right in this action. While the district court was undoubtedly correct that the Settlement Agreement is not ambiguous, this is not the relevant analysis on this issue. Instead, we must analyze the legislative intent and purpose of § 304(c) of the 1976 Act to determine its application to this case.

Simon contends that the district court's failure to give effect to § 304(c)'s mandate that authors can terminate copyright grants "notwithstanding any agreement to the contrary" contravenes the legislative intent and purpose of § 304(c). Further, because Simon has submitted testimony that he was not in fact an employee for hire when he created the Captain Marvel character, he maintains that a genuine issue of material fact exists regarding Marvel's claims that the Termination Notices are invalid and it is the sole owner of the copyright in the Works. Marvel's only response to Simon's contentions is that if Simon's reading of the statute is upheld, no litigation concerning a claim to authorship could ever be resolved by settlement. We find Simon's arguments persuasive and Marvel's prediction unfounded.

In order to determine the meaning of § 304(c), we apply the well established canons of statutory construction. In interpreting a statute, we look first to the language of the statute itself. When the language of a statute is unambiguous, judicial inquiry is complete. When the terms of a statute are ambiguous, however, we may seek guidance in the legislative history and purpose of the statute. In so doing, we must construct an interpretation that comports with the statute's primary purpose and does not lead to anomalous or unreasonable results.

Here, whether § 304(c)(5)'s phrase "any agreement to the contrary" includes a settlement agreement stating that a work was created for hire is not clear from the text of the statute itself. Generally speaking, the Settlement Agreement is an agreement to the contrary. But without more specific or compelling evidence from the text, we find it necessary to go beyond the mere text and consider the legislative intent and purpose of § 304(c) to ascertain the statute's meaning.

The Supreme Court has elucidated the intent and purpose behind the termination provision of the 1976 Act:

The principal purpose of the amendments in § 304 was to provide added benefits to authors. The ... concept of a termination right itself, w[as] obviously intended to make the rewards for the creativity of authors more substantial. More particularly, the termination right was expressly intended to

relieve authors of the consequences of ill-advised and unremunerative grants that had been made before the author had a fair opportunity to appreciate the true value of his work product. That general purpose is plainly defined in the legislative history and, indeed, is fairly inferable from the text of § 304 itself.

*Mills Music*, 469 U.S. at 172–73 (interpreting the derivative works exception to the termination clause of § 304(c)). Furthermore, the legislative history of the termination provision reflects Congress’s intent to protect authors from unequal bargaining positions. See H.R.Rep. No. 94–1476, at 124 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5740 (“A provision of this sort is needed because of the unequal bargaining position of authors, resulting in part from the impossibility of determining a work’s value until it has been exploited.”). As these statements suggest, the clear Congressional purpose behind § 304(c) was to prevent authors from waiving their termination right by contract.

When examining the legislative intent and purpose of § 304(c), it becomes clear that an agreement made after a work’s creation stipulating that the work was created as a work for hire constitutes an “agreement to the contrary” which can be disavowed pursuant to the statute. Any other construction of § 304(c) would thwart the clear legislative purpose and intent of the statute. If an agreement between an author and publisher that a work was created for hire were outside the purview of § 304(c)(5), the termination provision would be rendered a nullity; litigation-savvy publishers would be able to utilize their superior bargaining position to compel authors to agree that a work was created for hire in order to get their works published. In effect, such an interpretation would likely repeat the result wrought by the *Fred Fisher* decision and provide a blueprint by which publishers could effectively eliminate an author’s termination right. We conclude that Congress included the “notwithstanding any agreement to the contrary” language in the termination provision precisely to avoid such a result.

This view finds support in *Nimmer on Copyright*:

The parties to a grant may not agree that a work shall be deemed one made “for hire” in order to avoid the termination provisions if a “for hire” relationship ... does not in fact exist between them. Such an avoidance device would be contrary to the statutory provision that “[t]ermination of the grant may be effected notwithstanding any agreement to the contrary.” ... [I]t is the relationship that in fact exists between the parties, and not their description of that relationship, that is determinative.

3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 11.02[A][2] (2000 ed.) This reading of the statute also explains why copyright grants in works created for hire are not subject to termination. See 17 U.S.C. § 304(c). Under the 1909 Act, the statutory author of a work created for hire was the employer-publisher. Because an employer-publisher does not face the same potential unequal bargaining position as an individual author, it follows that an employer-publisher does not need the same protections as an individual author.

This reading of § 304(c) is also consistent with the way in which courts have interpreted the 1909 Act’s “work for hire” provision. Courts engaging in such an analysis have focused on the actual relationship between the parties, rather than the language of their agreements, in determining authorship of the work.

Additionally, this Court has looked to agency law to determine whether a work is created “for hire” under the 1909 Act. And under agency law, “[t]he manner in which the parties designate the relationship is not controlling, and if an act done by one person in behalf of another is in its essential nature one of agency, the one is the agent of such other notwithstanding that he or she is not so called. Conversely, the mere use of the word ‘agent’ by parties in their contract does not make one an agent who, in fact, is not such.” 3 Am.Jur.2d Agency § 19 (2002).

In sum, we hold that an agreement made subsequent to a work’s creation which retroactively deems it a “work for hire” constitutes an “agreement to the contrary” under § 304(c)(5) of the 1976 Act. Therefore, Simon is not bound by the statement in the Settlement Agreement that he created the Works as an employee for hire. Because Simon has proffered admissible evidence that he did not create the Works as an employee for hire, the district court’s grant of summary judgment to Marvel was erroneous. It will be up to a jury to determine whether Simon was the author of the Works and, therefore, whether he can exercise § 304(c)’s termination right.

#### **IV. Equitable Estoppel**

Marvel’s final contention is that Simon is barred by the doctrine of equitable estoppel from asserting that he is the author of the Works. Marvel argues that if it knew that Simon would disavow the Settlement Agreement’s admission that the Works were created for hire, it would have proceeded to trial in the Prior Actions and called both Martin Goodman and Jack Kirby as witnesses. As these two men have since died, Marvel contends that Simon should not now be able to raise the issue of his authorship of the Works in this action. We find Marvel’s argument unpersuasive.

The doctrine of equitable estoppel can be raised where the enforcement of the rights of one party would work an injustice upon the other party due to the latter’s justifiable reliance upon the former’s words or conduct. Under federal law, applicable because Marvel’s claim involves a federal statute, a party can be estopped from pursuing a claim where: (1) the party makes a misrepresentation of fact to another party with reason to believe that the other party will rely on it; (2) the other party relies on the misrepresentation to his detriment.

Marvel’s estoppel argument is unpersuasive for three reasons. First, the doctrine of equitable estoppel does not supersede § 304(c). It is plain that § 304(c) necessarily contemplates the likelihood that long-dormant copyright ownership issues will be awakened and litigated once the original fifty-six year copyright term expires. In fact, Congress’s goal in providing authors with this termination right was to enable them to reclaim long lost copyright grants. As the district court correctly recognized, virtually every copyright holder could fashion a similar equitable estoppel argument in response to an author’s legitimate exercise of his termination rights. Permitting such an exception, however, would contravene the plain language, intent, and purpose of § 304(c).

Second, Marvel’s argument ignores the fact that the termination right did not come into existence until 1978, the effective date of the 1976 Act. Therefore, it is specious to argue that Simon should be estopped from raising a claim that did not come into existence until almost a decade after the Settlement Agreement.

Finally, Marvel cannot establish detriment for equitable estoppel purposes. Marvel has received the full economic benefit of the Works’ twenty-eight year renewal term. Even if a jury concludes that Simon is the

Works' author and can therefore terminate Marvel's copyright in the Works, Marvel can continue to exploit every Captain America property created prior to the effective date of termination. See *Mills Music*, 469 U.S. at 173 (noting that pre-termination derivative works may continue to be utilized under the terms of the terminated grant).

Accordingly, Simon is not equitably estopped from raising his purported authorship of the Works in this action.

### CONCLUSION

For the foregoing reasons, the judgment of the district court is REVERSED. We hereby REMAND this action to the district court for further proceedings not inconsistent with this opinion.

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## Check Your Understanding – *Marvel Characters*

**Question 1.** Which of the following will preclude an author from terminating a grant in copyright pursuant to § 304(c)?



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<https://holmancopyright.lawbooks.cali.org/?p=152#h5p-91>

**Question 2.** According to *Marvel Characters*, what is the legislative intent and purpose behind the termination provision of the 1976 Act?



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<https://holmancopyright.lawbooks.cali.org/?p=152#h5p-92>

# Chapter 9: Exclusive Rights of the Copyright Owner and Infringement

As set forth in § 106 of the 1976 Act, the owner of a copyright enjoys six exclusive rights with respect to the copyrighted work. This means that the copyright owner not only has the right to exercise the rights personally, or authorize others to exercise the rights, but also has the right to exclude others from exercising the rights. A copyright owner can exercise its right to exclude others by means of a copyright infringement lawsuit in the federal courts. A successful copyright infringement lawsuit can result in an award of remedies to the copyright owner in the form of money damages and/or an injunction against further infringing actions. Copyright infringement is generally characterized as a matter of strict liability, with no requirement of scienter, although in some relatively recent decisions involving the Internet courts have required some element of volition on the part of the accused infringer, as exemplified by the *Netcom* decision, discussed in more detail later in this casebook.

The six exclusive rights of the copyright owner are as follows:

- (1) to reproduce the copyrighted work in copies or phonorecords [the reproduction right];
- (2) to prepare derivative works based upon the copyrighted work [the derivative works right];
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending [the distribution right];
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly [the public performance right];
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly [the public display right]; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission [the digital public performance right].

Note that while the first three rights are available for all copyrighted works, the other three rights are only available for certain categories of works. The public performance right, for example, is not available for sound recordings. Sound recordings do enjoy a digital public performance right, which is limited to digital transmission, *e.g.*, over the Internet, and does not encompass conventional analog radio transmissions or live performance. As another example, the public display right does not apply to architectural works.

Section 106 specifically states that all of the exclusive rights are “[s]ubject to sections 107 through 122” of the Copyright Act, which impose a host of limitations on the rights of copyright owners, including, most significantly for our purposes, the fair use defense, a discussion of which appears later in this book.



## A. The Reproduction Right

The most fundamental and long-standing right of the copyright owner is the reproduction right, i.e., the right to make copies. Infringement of the reproduction right can be either literal or non-literal. Literal infringement of the reproduction right involves the unauthorized production of an exact copy of the copyrighted work, or at least a substantial portion of the copyrighted work, through verbatim copying. It is usually relatively easy to determine whether literal infringement has occurred, at least compared to deciding whether a copyright has been non-literally infringed. In the case of non-literal infringement, the infringing copy is not identical to the copyrighted work, and might in fact be very different from the copyrighted work in many ways. Nonetheless, if a court finds that the accused work was the product of copying from the copyrighted work, and that the degree of similarity between the works is substantial enough to constitute “improper (i.e., unlawful) appropriation,” then the copyist can be held liable for non-literal copyright infringement.

Non-literal copyright infringement might occur, for example, if a movie is made that copies expressive elements from a copyrighted play, even though in many ways the movie and the play are quite different. Similarly, courts sometimes find that the composer of a popular song has committed non-literal copyright infringement by copying expressive elements of another song, even though in many ways the two songs are quite different. The following cases set forth the elements that a plaintiff must establish in order to prevail on an action for infringement of the reproduction right, and provide examples of how the courts assess these elements and use them to arrive at a final conclusion regarding infringement. Note that all of these cases involve allegations of non-literal infringement. Literal infringement is usually cut and dried, and does not lend itself to interesting judicial decisions, at least with respect to the question of whether a copyright owner’s reproduction right has been infringed.

In reading these decisions, it is important to be clear as to the general test for infringement of the reproduction right, particularly since courts sometimes fail to clearly articulate the elements a plaintiff needs to prove in order to prevail. Here is an outlined overview of the elements that the copyright plaintiff must prove, followed by an explanation:

1. Copying-in-fact
  - a. Access
  - b. Substantial similarity
2. Improper appropriation (courts often refer to this as “unlawful appropriation”)

The first element the copyright owner must prove is that the defendant did in fact copy from the copyrighted work. Without copying, there is no infringement of the reproduction right, no matter how similar the works are. In most cases there is no direct evidence of copying-in-fact, and the plaintiff must rely on circumstantial evidence, usually consisting of proof that the accused infringer had “access” to the copyrighted work, and that the accused work and the copyrighted works are “substantially similar.” The rationale behind this is that, without access to the work, it would be impossible for the accused infringer to

have copied it. Once access to the copyright work has been established, however, the similarity of the works can provide sufficient evidence of copying. If the accused work is “substantially” similar to the copyrighted work, a court can infer that the similarity arises out of copying, rather than an independent creation that, by coincidental chance, happens to be similar to the copyrighted work. Sometimes the similarity can be so striking that the similarity itself provides the necessary proof of access.

Once copying-in-fact has been established, the copyright owner must then prove that the copying rises to the level of “improper” or “unlawful” appropriation. This is not a very instructive standard, of course, since it basically states that an accused infringer will be liable for copyright infringement when the accused infringer has appropriated more of the copyrighted work than is “proper” or “lawful,” i.e., more than is allowed by law. The point to bear in mind, however, is that not all copying constitutes copyright infringement. Ideas and facts, for example, can be freely copied. *De minimis* copying can also be noninfringing. In assessing whether improper appropriation has occurred, courts compare the copyrighted and accused works, and often find improper appropriation when the works are “substantially similar.” It is essentially a measure of the amount and substantiality of the copying that occurred.

The following case, *Arnstein v. Porter*, is a seminal copyright law decision, often cited for its explanation of the two-part test for infringement outlined above.

Some things to consider when reading *Arnstein*:

1. This decision is largely about the proper standard for dismissing a case on summary judgment under Rule 56, but we will focus primarily on the merits, i.e., the question of copyright infringement.
2. The court’s explanation of the two-part test for determining whether an accused work is infringing.
3. The rationale behind the court’s statement that dissection and expert testimony are often relevant with respect to the question of “copying-in-fact,” but not “improper appropriation.”
4. The guidance the court provides for assessing whether copying has risen to the level of “improper appropriation,” and why the court believes that jurors are well-suited for making this determination.

### *Arnstein v. Porter*

154 F.2d 464 (2d Cir. 1946)

FRANK, Circuit Judge.

The principal question on this appeal is whether the lower court, under Rule 56, properly deprived plaintiff of a trial of his copyright infringement action. The answer depends on whether “there is the slightest doubt as to the facts.” In applying that standard here, it is important to avoid confusing two separate elements essential to a plaintiff’s case in such a suit: (a) that defendant copied from plaintiff’s copyrighted work and (b) that the copying (assuming it to be proved) went so far as to constitute improper appropriation.

As to the first—copying—the evidence may consist (a) of defendant’s admission that he copied or (b) of

circumstantial evidence—usually evidence of access—from which the trier of the facts may reasonably infer copying. Of course, if there are no similarities, no amount of evidence of access will suffice to prove copying. If there is evidence of access and similarities exist, then the trier of the facts must determine whether the similarities are sufficient to prove copying. On this issue, analysis (‘dissection’) is relevant, and the testimony of experts may be received to aid the trier of the facts. If evidence of access is absent, the similarities must be so striking as to preclude the possibility that plaintiff and defendant independently arrived at the same result.

If copying is established, then only does there arise the second issue, that of illicit copying (unlawful appropriation). On that issue (as noted more in detail below) the test is the response of the ordinary lay hearer; accordingly, on that issue, ‘dissection’ and expert testimony are irrelevant.

In some cases, the similarities between the plaintiff’s and defendant’s work are so extensive and striking as, without more, both to justify an inference of copying and to prove improper appropriation. But such double-purpose evidence is not required; that is, if copying is otherwise shown, proof of improper appropriation need not consist of similarities which, standing alone, would support an inference of copying.

Each of these two issues—copying and improper appropriation—is an issue of fact. If there is a trial, the conclusions on those issues of the trier of the facts—of the judge if he sat without a jury, or of the jury if there was a jury trial—bind this court on appeal, provided the evidence supports those findings, regardless of whether we would ourselves have reached the same conclusions. But a case could occur in which the similarities were so striking that we would reverse a finding of no access, despite weak evidence of access (or no evidence thereof other than the similarities); and similarly as to a finding of no illicit appropriation.

We turn first to the issue of copying. After listening to the compositions as played in the phonograph recordings submitted by defendant, we find similarities; but we hold that unquestionably, standing alone, they do not compel the conclusion, or permit the inference, that defendant copied. The similarities, however, are sufficient so that, if there is enough evidence of access to permit the case to go to the jury, the jury may properly infer that the similarities did not result from coincidence.

Summary judgment was, then, proper if indubitably defendant did not have access to plaintiff’s compositions. Plainly that presents an issue of fact. On that issue, the district judge, who heard no oral testimony, had before him the depositions of plaintiff and defendant. The judge characterized plaintiff’s story as ‘fantastic’; and, in the light of the references in his opinion to defendant’s deposition, the judge obviously accepted defendant’s denial of access and copying. Although part of plaintiff’s testimony on deposition (as to ‘stooges’ and the like) does seem ‘fantastic,’ yet plaintiff’s credibility, even as to those improbabilities, should be left to the jury. If evidence is ‘of a kind that greatly taxes the credulity of the judge, he can say so, or, if he totally disbelieves it, he may announce that fact, leaving the jury free to believe it or not.’ If, said Winslow, J., ‘evidence is to be always disbelieved because the story told seems remarkable or impossible, then a party whose rights depend on the proof of some facts out of the usual course of events will always be denied justice simply because his story is improbable.’<sup>6</sup> We should not overlook the shrewd proverbial admonition that sometimes truth is stranger than fiction.

But even if we were to disregard the improbable aspects of plaintiff’s story, there remain parts by no means ‘fantastic.’ On the record now before us, more than a million copies of one of his compositions were sold;

copies of others were sold in smaller quantities or distributed to radio stations or band leaders or publishers, or the pieces were publicly performed. If, after hearing both parties testify, the jury disbelieves defendant's denials, it can, from such facts, reasonably infer access. It follows that, as credibility is unavoidably involved, a genuine issue of material fact presents itself. With credibility a vital factor, plaintiff is entitled to a trial where the jury can observe the witnesses while testifying. Plaintiff must not be deprived of the invaluable privilege of cross-examining the defendant—the 'crucial test of credibility'—in the presence of the jury. Plaintiff, or a lawyer on his behalf, on such examination may elicit damaging admissions from defendant; more important, plaintiff may persuade the jury, observing defendant's manner when testifying, that defendant is unworthy of belief.

With all that in mind, we cannot now say—as we think we must say to sustain a summary judgment—that at the close of a trial the judge could properly direct a verdict.

Assuming that adequate proof is made of copying, that is not enough; for there can be 'permissible copying,' copying which is not illicit. Whether (if he copied) defendant unlawfully appropriated presents, too, an issue of fact. The proper criterion on that issue is not an analytic or other comparison of the respective musical compositions as they appear on paper or in the judgment of trained musicians. The plaintiff's legally protected interest is not, as such, his reputation as a musician but his interest in the potential financial returns from his compositions which derive from the lay public's approbation of his efforts. The question, therefore, is whether defendant took from plaintiff's works so much of what is pleasing to the ears of lay listeners, who comprise the audience for whom such popular music is composed, that defendant wrongfully appropriated something which belongs to the plaintiff.

Surely, then, we have an issue of fact which a jury is peculiarly fitted to determine. Indeed, even if there were to be a trial before a judge, it would be desirable (although not necessary) for him to summon an advisory jury on this question.

We should not be taken as saying that a plagiarism case can never arise in which absence of similarities is so patent that a summary judgment for defendant would be correct. Thus suppose that Ravel's 'Bolero' or Shostakovich's 'Fifth Symphony' were alleged to infringe 'When Irish Eyes Are Smiling.' But this is not such a case. For, after listening to the playing of the respective compositions, we are, at this time, unable to conclude that the likenesses are so trifling that, on the issue of misappropriation, a trial judge could legitimately direct a verdict for defendant.

At the trial, plaintiff may play, or cause to be played, the pieces in such manner that they may seem to a jury to be inexcusably alike, in terms of the way in which lay listeners of such music would be likely to react. The plaintiff may call witnesses whose testimony may aid the jury in reaching its conclusion as to the responses of such audiences. Expert testimony of musicians may also be received, but it will in no way be controlling on the issue of illicit copying, and should be utilized only to assist in determining the reactions of lay auditors. The impression made on the refined ears of musical experts or their views as to the musical excellence of plaintiff's or defendant's works are utterly immaterial on the issue of misappropriation; for the views of such persons are caviar to the general—and plaintiff's and defendant's compositions are not caviar.

Modified in part; otherwise reversed and remanded.

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## Check Your Understanding – *Arnstein*

**Question 1.** According to *Arnstein*, under what circumstances does unauthorized copying from a copyrighted work constitute copyright infringement?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-96>

**Question 2.** In *Arnstein*, why does Judge Frank conclude that expert testimony is relevant in determining the first element of copyright infringement (i.e., whether the accused infringer copied from the copyrighted work) but not the second element (i.e., whether the copying went too far as to constitute improper appropriation)?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

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When courts apply *Arnstein*'s two-part test for infringement, the concept of “substantial similarity” arises in two distinct contexts, i.e., in determining whether copying-in-fact has occurred, and in determining whether improper appropriation has occurred. But it is important to bear in mind that “substantial similarity” is being used in two different ways in these two different contexts. With respect to copying-in-fact, “substantial similarity” is used as evidence that, more likely than not, the defendant copied from the copyrighted work. With respect to “improper appropriation,” the “substantial similarity” of the works is used as evidence that the defendant appropriated more of the copyrighted work than is allowed by law. This somewhat confusing double-use of the term “substantially similar” is discussed by the court at length below in the *Rentmeester v. Nike* decision.

Some things to consider when reading *Rentmeester*:

1. The court's discussion of “substantial similarity,” and how the term has been used by courts to describe two distinct concepts: (1) the degree of similarity relevant to proof of copying-in-fact and (2) the degree of similarity necessary to establish unlawful (i.e., improper) appropriation. Recall that in order to establish infringement, the plaintiff must establish both copying-in-fact and unlawful appropriation.
2. The court's discussion of the protectable elements of a copyrighted photograph.
3. The court's analysis of whether the accused photograph is “substantially similar” to the plaintiff's photograph, including the Ninth Circuit's “extrinsic” and “intrinsic” tests.

## *Rentmeester v. Nike, Inc.*

883 F.3d 1111 (9th Cir. 2018)

WATFORD, Circuit Judge:

This is a copyright infringement action brought by the renowned photographer Jacobus Rentmeester against Nike, Inc. The case involves a famous photograph Rentmeester took in 1984 of Michael Jordan, who at the time was a student at the University of North Carolina. The photo originally appeared in *Life* magazine as part of a photo essay featuring American athletes who would soon be competing in the 1984 Summer Olympic Games. We are asked to decide whether Nike infringed Rentmeester's copyright when it commissioned its own photograph of Jordan and then used that photo to create one of its most iconic trademarks.

### I

The allegations in Rentmeester's complaint, which we accept as true at this stage of the proceedings, establish the following. Rentmeester's photograph of Jordan, reproduced in the Appendix, is highly original. It depicts Jordan leaping toward a basketball hoop with a basketball raised above his head in his left hand, as though he is attempting to dunk the ball. The setting for the photo is not a basketball court, as one would expect in a shot of this sort. Instead, Rentmeester chose to take the photo on an isolated grassy knoll on the University of North Carolina campus. He brought in a basketball hoop and backboard mounted on a tall pole, which he planted in the ground to position the hoop exactly where he wanted. Whether due to the height of the pole or its placement within the image, the basketball hoop appears to tower above Jordan, beyond his reach.

Rentmeester instructed Jordan on the precise pose he wanted Jordan to assume. It was an unusual pose for a basketball player to adopt, one inspired by ballet's grand jeté, in which a dancer leaps with legs extended, one foot forward and the other back. Rentmeester positioned the camera below Jordan and snapped the photo at the peak of his jump so that the viewer looks up at Jordan's soaring figure silhouetted against a cloudless blue sky. Rentmeester used powerful strobe lights and a fast shutter speed to capture a sharp image of Jordan contrasted against the sky, even though the sun is shining directly into the camera lens from the lower right-hand corner of the shot.

Not long after Rentmeester's photograph appeared in *Life* magazine, Nike contacted him and asked to borrow color transparencies of the photo. Rentmeester provided Nike with two color transparencies for \$150 under a limited license authorizing Nike to use the transparencies "for slide presentation only." It is unclear from the complaint what kind of slide presentation Nike may have been preparing, but the company was then beginning its lucrative partnership with Jordan by promoting the Air Jordan brand of athletic shoes.

In late 1984 or early 1985, Nike hired a photographer to produce its own photograph of Jordan, one obviously inspired by Rentmeester's. In the Nike photo, Jordan is again shown leaping toward a basketball hoop with a basketball held in his left hand above his head, as though he is about to dunk the ball. See Appendix. The photo was taken outdoors and from a similar angle as in Rentmeester's photo, so that the viewer looks up at

Jordan's figure silhouetted against the sky. In the Nike photo, though, it is the city of Chicago's skyline that appears in the background, a nod to the fact that by then Jordan was playing professionally for the Chicago Bulls. Jordan wears apparel reflecting the colors of his new team, and he is of course wearing a pair of Nike shoes. Nike used this photo on posters and billboards as part of its marketing campaign for the new Air Jordan brand.

When Rentmeester saw the Nike photo, he threatened to sue Nike for breach of the limited license governing use of his color transparencies. To head off litigation, Nike entered into a new agreement with Rentmeester in March 1985, under which the company agreed to pay \$15,000 for the right to continue using the Nike photo on posters and billboards in North America for a period of two years. Rentmeester alleges that Nike continued to use the photo well beyond that period.

In 1987, Nike created its **iconic** "Jumpman" logo, a solid black silhouette that tracks the outline of Jordan's figure as it appears in the Nike photo. See Appendix. Over the past three decades, Nike has used the Jumpman logo in connection with the sale and marketing of billions of dollars of merchandise. It has become one of Nike's most recognizable trademarks.

Rentmeester filed this action in January 2015. He alleges that both the Nike photo and the Jumpman logo infringe the copyright in his 1984 photo of Jordan.

The district court dismissed Rentmeester's claims with prejudice after concluding that neither the Nike photo nor the Jumpman logo infringe Rentmeester's copyright as a matter of law. We review that legal determination *de novo*.

## II

To state a claim for copyright infringement, Rentmeester must plausibly allege two things: (1) that he owns a valid copyright in his photograph of Jordan, and (2) that Nike copied protected aspects of the photo's expression.

Although our cases have not always made this point explicit, the second element has two distinct components: "copying" and "unlawful appropriation." Proof of copying by the defendant is necessary because independent creation is a complete defense to copyright infringement. No matter how similar the plaintiff's and the defendant's works are, if the defendant created his independently, without knowledge of or exposure to the plaintiff's work, the defendant is not liable for infringement. Proof of unlawful appropriation—that is, illicit copying—is necessary because copyright law does not forbid all copying. The Copyright Act provides that copyright protection does not "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 [the copyrighted] work." 17 U.S.C. § 102(b). Thus, a defendant incurs no liability if he copies only the "ideas" or "concepts" used in the plaintiff's work. To infringe, the defendant must also copy enough of the plaintiff's expression of those ideas or concepts to render the two works "substantially similar." *Mattel, Inc. v. MGA Entertainment, Inc.*, 616 F.3d 904, 913–14 (9th Cir. 2010).

When the plaintiff lacks direct evidence of copying, he can attempt to prove it circumstantially by showing that the defendant had access to the plaintiff's work and that the two works share similarities probative of

copying. Such proof creates a presumption of copying, which the defendant can then attempt to rebut by proving independent creation.

Unfortunately, we have used the same term—“substantial similarity”—to describe both the degree of similarity relevant to proof of copying and the degree of similarity necessary to establish unlawful appropriation. The term means different things in those two contexts. To prove copying, the similarities between the two works need not be extensive, and they need not involve protected elements of the plaintiff’s work. They just need to be similarities one would not expect to arise if the two works had been created independently. To prove unlawful appropriation, on the other hand, the similarities between the two works must be “substantial” and they must involve protected elements of the plaintiff’s work.

In this case, Rentmeester has plausibly alleged the first element of his infringement claim—that he owns a valid copyright. The complaint asserts that he has been the sole owner of the copyright in his photo since its creation in 1984. And the photo obviously qualifies as an “original work of authorship,” given the creative choices Rentmeester made in composing it. Rentmeester alleges that he registered his photo with the Copyright Office in 2014, which permits him to bring this suit. 17 U.S.C. § 411(a).

Rentmeester has also plausibly alleged the “copying” component of the second element. He alleges that he provided color transparencies of his photo to Nike’s creative director shortly before production of the Nike photo. That allegation establishes that Nike had access to Rentmeester’s photo, which in this context means a reasonable opportunity to view it. Nike’s access to Rentmeester’s photo, combined with the obvious conceptual similarities between the two photos, is sufficient to create a presumption that the Nike photo was the product of copying rather than independent creation.

The remaining question is whether Rentmeester has plausibly alleged that Nike copied enough of the protected expression from Rentmeester’s photo to establish unlawful appropriation. To prove this component of his claim, Rentmeester does not have to show that Nike produced an exact duplicate of his photo. But, as mentioned, he does have to show that Nike copied enough of the photo’s protected expression to render their works “substantially similar.”

In our circuit, determining whether works are substantially similar involves a two-part analysis consisting of the “extrinsic test” and the “intrinsic test.” The extrinsic test assesses the objective similarities of the two works, focusing only on the protectable elements of the plaintiff’s expression. Before that comparison can be made, the court must “filter out” the unprotectable elements of the plaintiff’s work—primarily ideas and concepts, material in the public domain, and *scènes à faire* (stock or standard features that are commonly associated with the treatment of a given subject). The protectable elements that remain are then compared to corresponding elements of the defendant’s work to assess similarities in the objective details of the works. The intrinsic test requires a more holistic, subjective comparison of the works to determine whether they are substantially similar in “total concept and feel.” To prevail, a plaintiff must prove substantial similarity under both tests.

Only the extrinsic test’s application may be decided by the court as a matter of law, that is the only test relevant in reviewing the district court’s ruling on a motion to dismiss. Before applying the extrinsic test ourselves, a few words are in order about the filtering process that the test demands.

Certain types of works can be dissected into protected and unprotected elements more readily than others.



With novels, plays, and motion pictures, for instance, even after filtering out unprotectable elements like ideas and *scènes à faire*, many protectable elements of expression remain that can be objectively compared. Plot, themes, dialogue, mood, setting, pace, characters, and sequence of events are elements we have previously identified.

Photographs cannot be dissected into protected and unprotected elements in the same way. To be sure, photos can be broken down into objective elements that reflect the various creative choices the photographer made in composing the image—choices related to subject matter, pose, lighting, camera angle, depth of field, and the like. But none of those elements is subject to copyright protection when viewed in isolation. For example, a photographer who produces a photo using a highly original lighting technique or a novel camera angle cannot prevent other photographers from using those same techniques to produce new images of their own, provided the new images are not substantially similar to the earlier, copyrighted photo. With respect to a photograph's subject matter, no photographer can claim a monopoly on the right to photograph a particular subject just because he was the first to capture it on film. A subsequent photographer is free to take her own photo of the same subject, again so long as the resulting image is not substantially similar to the earlier photograph.

That remains true even if, as here, a photographer creates wholly original subject matter by having someone pose in an unusual or distinctive way. Without question, one of the highly original elements of Rentmeester's photo is the fanciful (non-natural) pose he asked Jordan to assume. That pose was a product of Rentmeester's own intellectual invention; it would not have been captured on film but for Rentmeester's creativity in conceiving it. The pose Rentmeester conceived is thus quite unlike the pose at issue in *Harney v. Sony Pictures Television, Inc.*, 704 F.3d 173 (1st Cir. 2013), which consisted of nothing more than a daughter riding piggyback on her father's shoulders. The photographer there did not orchestrate the pose and, even if he had, the pose is so commonplace as to be part of the public domain. *Id.* at 187; see also *Leibovitz v. Paramount Pictures Corp.*, 137 F.3d 109, 116 (2d Cir. 1998) (pose of a nude, pregnant woman in profile is part of the public domain).

Without gainsaying the originality of the pose Rentmeester created, he cannot copyright the pose itself and thereby prevent others from photographing a person in the same pose. He is entitled to protection only for the way the pose is expressed in his photograph, a product of not just the pose but also the camera angle, timing, and shutter speed Rentmeester chose. If a subsequent photographer persuaded Michael Jordan to assume the exact same pose but took her photo, say, from a bird's eye view directly above him, the resulting image would bear little resemblance to Rentmeester's photo and thus could not be deemed infringing.

What is protected by copyright is the photographer's selection and arrangement of the photo's otherwise unprotected elements. If sufficiently original, the combination of subject matter, pose, camera angle, etc., receives protection, not any of the individual elements standing alone. In that respect (although not in others), photographs can be likened to factual compilations. An author of a factual compilation cannot claim copyright protection for the underlying factual material—facts are always free for all to use. If sufficiently original, though, an author's selection and arrangement of the material are entitled to protection. The individual elements that comprise a photograph can be viewed in the same way, as the equivalent of unprotectable "facts" that anyone may use to create new works. A second photographer is free to borrow any of the individual elements featured in a copyrighted photograph, so long as the competing work does not feature the same selection and arrangement of those elements. In other words, a photographer's

copyright is limited to the particular selection and arrangement of the elements as expressed in the copyrighted image.

This is not to say, as Nike urges us to hold, that all photographs are entitled to only “thin” copyright protection, as is true of factual compilations. A copyrighted work is entitled to thin protection when the range of creative choices that can be made in producing the work is narrow. When only a narrow range of expression is possible, copyright protection is thin because the copyrighted work will contain few protectable features.

Some photographs are entitled to only thin protection because the range of creative choices available in selecting and arranging the photo’s elements is quite limited. That was the case in *Ets-Hokin v. Skyy Spirits, Inc.*, 323 F.3d 763 (9th Cir. 2003), where we held that the plaintiff’s commercial product shots of a vodka bottle were entitled to only thin protection. Given the constraints imposed by the subject matter and conventions of commercial product shots, there were relatively few creative choices a photographer could make in producing acceptable images of the bottle. As a result, subtle differences in lighting, camera angle, and background were sufficient to render the defendant’s otherwise similar-looking photos of the same bottle non-infringing.

With other photographs, however, the range of creative choices available to the photographer will be far broader, and very few of those choices will be dictated by subject matter or convention. As with any other work, the greater the range of creative choices that may be made, the broader the level of protection that will be afforded to the resulting image.

Rentmeester’s photo is undoubtedly entitled to broad rather than thin protection. The range of creative choices open to Rentmeester in producing his photo was exceptionally broad; very few of those choices were dictated by convention or subject matter. In fact, Rentmeester’s photo is distinctive precisely because he chose *not* to be bound by the conventions commonly followed in photographing a basketball player attempting to dunk a basketball. Such photos would typically call for a basketball court as the setting, whether indoors or out. Rentmeester chose instead to place Jordan on an open, grassy knoll with a basketball hoop inserted as a prop, whimsically out of place and seeming to tower well above regulation height. Rentmeester also departed from convention by capturing Jordan in a fanciful, highly original pose, one inspired more by ballet’s *grand jeté* than by any pose a basketball player might naturally adopt when dunking a basketball. These creative choices—along with the other choices Rentmeester made with respect to lighting, camera angle, depth of field, and selection of foreground and background elements—resulted in a photo with many non-standard elements. Rentmeester’s selection and arrangement of those elements produced an image entitled to the broadest protection a photograph can receive.

With those preliminary observations out of the way, we can now turn to whether Rentmeester has plausibly alleged that his photo and the Nike photo are substantially similar under the extrinsic test. As discussed, that inquiry requires us to assess similarities in the selection and arrangement of the photos’ elements, as reflected in the objective details of the two works. We do not have a well-defined standard for assessing when similarity in selection and arrangement becomes “substantial,” and in truth no hard-and-fast rule could be devised to guide determinations that will necessarily turn on the unique facts of each case. See *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). The best we can do is borrow from the standard Judge Learned Hand employed in a case involving fabric designs: The two photos’

selection and arrangement of elements must be similar enough that “the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them.”

We conclude that the works at issue here are as a matter of law not substantially similar. Just as Rentmeester made a series of creative choices in the selection and arrangement of the elements in his photograph, so too Nike’s photographer made his own distinct choices in that regard. Those choices produced an image that differs from Rentmeester’s photo in more than just minor details.

Let’s start with the subject matter of the photographs. The two photos are undeniably similar in the subject matter they depict: Both capture Michael Jordan in a leaping pose inspired by ballet’s *grand jeté*. But Rentmeester’s copyright does not confer a monopoly on that general “idea” or “concept”; he cannot prohibit other photographers from taking their own photos of Jordan in a leaping, *grand jeté*-inspired pose. Because the pose Rentmeester conceived is highly original, though, he is entitled to prevent others from copying the details of that pose as expressed in the photo he took. Had Nike’s photographer replicated those details in the Nike photo, a jury might well have been able to find unlawful appropriation even though other elements of the Nike photo, such as background and lighting, differ from the corresponding elements in Rentmeester’s photo.

But Nike’s photographer did not copy the details of the pose as expressed in Rentmeester’s photo; he borrowed only the general idea or concept embodied in the photo. Thus, in each photo Jordan is holding a basketball above his head in his left hand with his legs extended, in a pose at least loosely based on the *grand jeté*. The position of each of his limbs in the two photos is different, however, and those differences in detail are significant because, among other things, they affect the visual impact of the images. In Rentmeester’s photo, Jordan’s bent limbs combine with the background and foreground elements to convey mainly a sense of horizontal (forward) propulsion, while in the Nike photo Jordan’s completely straight limbs combine with the other elements to convey mainly a sense of vertical propulsion. While the photos embody a similar idea or concept, they express it in different ways.

As to the other highly original element of Rentmeester’s photo—the unusual outdoor setting he chose—Nike’s photographer did not copy the details of that element either. The two photos again share undeniable similarities at the conceptual level: Both are taken outdoors without the usual trappings of a basketball court, other than the presence of a lone hoop and backboard. But when comparing the details of how that concept is expressed in the two photos, stark differences are readily apparent. Rentmeester set his shot on a grassy knoll with a whimsically out-of-place basketball hoop jutting up from a pole planted in the ground. The grassy knoll in the foreground of Rentmeester’s photo is wholly absent from the Nike photo. In fact, in the Nike photo there is no foreground element at all. The positioning of the basketball hoops is also materially different in the two photos. In Rentmeester’s photo, the hoop is positioned at a height that appears beyond the ability of anyone to dunk on (even someone as athletic as Jordan), which further contributes to the whimsical rather than realistic nature of the depiction. The hoop in the Nike photo, by contrast, appears to be easily within Jordan’s reach.

The other major conceptual similarity shared by the two photos is that both are taken from a similar angle so that the viewer looks up at Jordan’s soaring figure silhouetted against a clear sky. This is a far less original element of Rentmeester’s photo, as photographers have long used similar camera angles to capture subjects silhouetted against the sky. But even here, the two photos differ as to expressive details in material respects.

In Rentmeester's photo, the background is a cloudless blue sky; in the Nike photo, it is the Chicago skyline silhouetted against the orange and purple hues of late dusk or early dawn. In Rentmeester's photo, the sun looms large in the lower right-hand corner of the image; in the Nike photo the sun does not appear at all. And in Rentmeester's photo, parts of Jordan's figure are cast in shadow, while in the Nike photo every inch of Jordan's figure is brightly lit.

Finally, the arrangement of the elements within the photographs is materially different in two further respects. In Rentmeester's photo, Jordan is positioned slightly left of center and appears as a relatively small figure within the frame. In the Nike photo, he is perfectly centered and dominates the frame. In Rentmeester's photo, the basketball hoop stands atop a tall pole planted in the ground, and the hoop's position within the frame balances Jordan's left-of-center placement. In the Nike photo, the hoop takes up the entire right border of the frame, highlighting Jordan's dominant, central position. The hoops are also lit and angled differently toward the viewer, further distinguishing their expressive roles in the photographs.

In our view, these differences in selection and arrangement of elements, as reflected in the photos' objective details, preclude as a matter of law a finding of infringement. Nike's photographer made choices regarding selection and arrangement that produced an image unmistakably different from Rentmeester's photo in material details—disparities that no ordinary observer of the two works would be disposed to overlook. What Rentmeester's photo and the Nike photo share are similarities in general ideas or concepts: Michael Jordan attempting to dunk in a pose inspired by ballet's *grand jeté*; an outdoor setting stripped of most of the traditional trappings of basketball; a camera angle that captures the subject silhouetted against the sky. Rentmeester cannot claim an exclusive right to ideas or concepts at that level of generality, even in combination. Permitting him to claim such a right would withdraw those ideas or concepts from the stock of materials available to other artists, thereby thwarting copyright's fundamental objective of fostering creativity. Copyright promotes the progress of science and the useful arts by encouraging others to build freely upon the ideas and information conveyed by a work." Feist, 499 U.S. at 349–50. That is all Nike's photographer did here.

If the Nike photo cannot as a matter of law be found substantially similar to Rentmeester's photo, the same conclusion follows ineluctably with respect to the Jumpman logo. The logo is merely a solid black silhouette of Jordan's figure as it appears in the Nike photo, which, as we have said, differs materially from the way Jordan's figure appears in Rentmeester's photo. Isolating that one element from the Nike photo and rendering it in a stylized fashion make the Jumpman logo even less similar to Rentmeester's photo than the Nike photo itself.

**AFFIRMED.**

## Appendix



Rentmeester's photograph



Nike's photograph



Nike's Jumpman logo

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## Check Your Understanding – *Rentmeester*

**Question 1.** Which of the following doctrines does the court invoke in arriving at its decision in *Rentmeester*?



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**Question 2.** In the Ninth Circuit, what role do the extrinsic and intrinsic tests play in proving copyright infringement?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-156>

The following decision involves allegations of copyright infringement in the context of a videogame.

Some things to consider when reading *Atari*:

1. The court's discussion and application of the test for "substantial similarity" between the copyrighted work and the accused work, which is an element of a cause of action for copyright infringement. Pay particular attention to the role of the ordinary observer in assessing substantial similarity, and the "total concept and feel" test.
2. The court's application of the "idea-expression dichotomy."
3. This case provides an example of copyrighted "characters."
4. The Seventh Circuit does what the Ninth Circuit complained about in *Rentmeester*, by using the same term—"substantial similarity"—to describe both the degree of similarity relevant to proof of copying and the degree of similarity necessary to establish unlawful appropriation.

### *Atari, Inc. v. N. Am. Philips Consumer Elecs. Corp.*

672 F.2d 607 (7th Cir. 1982)

HARLINGTON WOOD Jr., Circuit Judge.

Plaintiffs-appellants Midway Manufacturing Co. ("Midway") and Atari, Inc. ("Atari") instituted this action against defendants-appellees North American Philips Consumer Electronics Corp. ("North American") and Park Magnavox Home Entertainment Center ("Park") for copyright infringement of and unfair competition against their audiovisual game "PAC-MAN." The district court denied plaintiffs' motion for a preliminary injunction, and this appeal followed.

#### **I. FACTS**

Atari and Midway own the exclusive United States rights in PAC-MAN under the registered copyright for the "PAC-MAN audiovisual work." Midway sells the popular coin-operated arcade version, and Atari recently began to market the home video version. As part of its Odyssey line of home video games, North American developed a game called "K. C. Munchkin" which Park sells at the retail level. Plaintiffs filed this suit alleging that K. C. Munchkin infringes their copyright in PAC-MAN, and that North American's conduct in marketing K. C. Munchkin constitutes unfair competition in violation of the Illinois Uniform Deceptive Trade Practices Act and the common law. The district court denied plaintiffs' motion for a preliminary injunction, ruling that plaintiffs failed to show likelihood of success on the merits of either claim.

Because this appeal requires us to make an ocular comparison of the two works, we describe both games in some detail.

#### **A. The Copyrighted Work**

The copyrighted version of PAC-MAN is an electronic arcade maze-chase game. Very basically, the game "board," which appears on a television-like screen, consists of a fixed maze, a central character (expressed as a "gobbler"), four pursuit characters (expressed as "ghost monsters"), several hundred evenly spaced pink dots which line the pathways of the maze, four enlarged pink dots ("power capsules") approximately located

in each of the maze's four corners, and various colored fruit symbols which appear near the middle of the maze during the play of the game.

Using a "joy stick," the player guides the gobbler through the maze, consuming pink dots along the way. The monsters, which roam independently within the maze, chase the gobbler. Each play ends when a monster catches the gobbler, and after three plays, the game is over. If the gobbler consumes a power capsule, the roles reverse temporarily: the gobbler turns into the hunter, and the monsters become vulnerable. The object of the game is to score as many points as possible by gobbling dots, power capsules, fruit symbols, and monsters.

The PAC-MAN maze has a slightly vertical rectangular shape, and its geometric configuration is drawn in bright blue double lines. Centrally located on the left and right sides of the maze is a tunnel opening. To evade capture by a pursuing monster, the player can cause the central character to exit through one opening and re-enter through the other on the opposite side. In video game parlance this concept is called a "wraparound." In the middle is a rectangular box ("corral") which has a small opening on the upper side. A scoring table, located across the top of the maze, displays in white the first player's score on the left, the high score to date in the middle, and the second player's score on the right. If a player successfully consumes all of the dots, the entire maze flashes alternately blue and white in victory, and a new maze, replenished with dots, appears on the screen. When the game ends a bright red "game over" sign appears below the corral.

At the start of the game, the gobbler character is located centrally near the bottom of the maze. That figure is expressed as a simple yellow dot, somewhat larger than the power capsules, with a V-shaped aperture which opens and closes in mechanical fashion like a mouth as it travels the maze. Distinctive "gobbling" noises accompany this action. If fate (or a slight miscalculation) causes the gobbler to fall prey to one of the monsters, the action freezes, and the gobbler is deflated, folding back on itself, making a sympathetic whining sound, and disappearing with a star-burst.

The four monster characters are identical except that one is red, one blue, one turquoise, and one orange. They are about equal in size to the gobbler, but are shaped like bell jars. The bottom of each figure is contoured to stimulate three short appendages which move as the monster travels about the maze. Their most distinctive feature is their highly animated eyes, which appear as large white circles with blue irises and which "look" in the direction the monster is moving. At the start of each play, the monsters are located side-by-side in the corral, bouncing back and forth until each leaves through the opening. Unlike the gobbler, they do not consume the dots, but move in a prearranged pattern about the maze at a speed approximately equal to that of the gobbler. When the gobbler consumes a power capsule and the roles reverse, the monsters panic: a siren-like alarm sounds, they turn blue, their eyes contract into small pink dots, a wrinkled "mouth" appears, and they immediately reverse direction (moving at a reduced speed). When this period of vulnerability is about to end, the monsters warn the player by flashing alternately blue and white before returning to their original colors. But if a monster is caught during this time, its body disappears, and its original eyes reappear and race back to the corral. Once in the corral, the monster quickly regenerates and reenters the maze to resume its pursuit of the gobbler.

## **B. The Accused Work**

North American's K. C. Munchkin is also a maze-chase game that employs a player-controlled central



character (also expressed as a “gobbler”), pursuit characters (also expressed as “ghost monsters”), dots, and power capsules. The basic play of K. C. Munchkin parallels that of PAC-MAN: the player directs the gobbler through the maze consuming dots and avoiding capture by the monsters; by gobbling a power capsule, the player can reverse the roles; and the ultimate goal is to accumulate the most points by gobbling dots and monsters.

K. C. Munchkin’s maze also is rectangular, has two tunnel exits and a centrally located corral, and flashes different colors after the gobbler consumes all of the dots. But the maze, drawn in single, subdued purple lines, is more simple in overall appearance. Because it appears on a home television screen, the maze looks broader than it is tall. Unlike that in PAC-MAN, the maze has one dead-end passageway, which adds an element of risk and strategy. The corral is square rather than rectangular and rotates ninety degrees every two or three seconds, but serves the same purpose as the corral in PAC-MAN. The scoring table is located below the maze and, as in PAC-MAN, has places on the left and right for scores for two players. But instead of simply registering the high score in the middle, the K. C. Munchkin game displays in flashing pink and orange a row of question marks where the high scorer can register his or her name.

The gobbler in K. C. Munchkin initially faces the viewer and appears as a round blue-green figure with horns and eyes. The gobbler normally has an impish smile, but when a monster attacks it, its smile appropriately turns to a frown. As it moves about the maze, the gobbler shows a somewhat diamond-shaped profile with a V-shaped mouth which rapidly opens and closes in a manner similar to PAC-MAN’s gobbler. A distinctive “gobbling” noise also accompanies this movement. When the gobbler stops, it turns around to face the viewer with another grin. If captured by a monster, the gobbler also folds back and disappears in a star-burst. At the start of each play, this character is located immediately above the corral. If successful in consuming the last dot, the munchkin turns to the viewer and chuckles.

K. C. Munchkin’s three ghost monsters appear similar in shape and movement to their PAC-MAN counterparts. They have round bodies (approximately equal in size to the gobbler) with two short horns or antennae, eyes, and three appendages on the bottom. The eyes are not as detailed as those of the PAC-MAN monsters, but they are uniquely similar in that they also “look” in the direction in which the monster is moving. Although slightly longer, the “legs” also move in a centipede-like manner as the monster roams about the maze. The similarity becomes even more pronounced when the monsters move vertically because their antennae disappear and their bodies assume the more bell jar-like shape of the PAC-MAN monsters. Moreover, the monsters are initially stationed inside the corral (albeit in a piggyback rather than a side-by-side arrangement) and exit into the maze as soon as play commences.

K. C. Munchkin’s expression of the role reversal also parallels that in PAC-MAN. When the gobbler consumes one of the power capsules, the vulnerable monsters turn purple and reverse direction, moving at a slightly slower speed. If caught by the gobbler, a monster “vanishes”: its body disappears and only white “eyes” and “feet” remain to indicate its presence. Instead of returning directly to the corral to regenerate, the ghost-like figure continues to wander about the maze, but does not affect the play. Only if the rotating corral happens to open up toward the monster as it travels one of the adjacent passageways will the monster re-enter the corral to be regenerated. This delay in regeneration allows the gobbler more time to clear the maze of dots. When the period of vulnerability is about to end, each monster flashes its original color as a warning.

There are only twelve dots in K. C. Munchkin as opposed to over two hundred dots in PAC-MAN. Eight of

those dots are white; the other four are power capsules, distinguished by their constantly changing color and the manner in which they blink. In *K. C. Munchkin*, the dots are randomly spaced, whereas in *PAC-MAN*, the dots are uniformly spaced. Furthermore, in *K. C. Munchkin*, the dots are rectangular and are always moving. As the gobbler munches more dots, the speed of the remaining dots progressively increases, and the last dot moves at the same speed as the gobbler. In the words of the district court, “the last dot ... cannot be caught by overtaking it; it must be munched by strategy.” At least initially, one power capsule is located in each of the maze’s four corners, as in *PAC-MAN*.

### III. COPYRIGHT INFRINGEMENT

To establish infringement a plaintiff must prove ownership of a valid copyright and “copying” by the defendant. Because direct evidence of copying often is unavailable, copying may be inferred where the defendant had access to the copyrighted work and the accused work is substantially similar to the copyrighted work. The parties stipulated to the validity of plaintiffs’ copyright and to access; the district court’s ruling turned solely on the question of substantial similarity.

Some courts have expressed the test of substantial similarity in two parts: (1) whether the defendant copied from the plaintiff’s work and (2) whether the copying, if proven, went so far as to constitute an improper appropriation. See, e.g., *Arnstein v. Porter*, 154 F.2d 464, 468 (2d Cir. 1946). Our analysis focuses on the second part of that test and the response of the “ordinary observer.” Specifically, the test is whether the accused work is so similar to the plaintiff’s work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff’s protectible expression by taking material of substance and value. Judge Learned Hand, in finding infringement, once stated that “the ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard their aesthetic appeal as the same.” *Peter Pan Fabrics, Inc. v. Martin Weiner Corp.*, 274 F.2d 487, 489 (2d Cir. 1960). It has been said that this test does not involve “analytic dissection and expert testimony,” *Arnstein*, 154 F.2d at 468, but depends on whether the accused work has captured the “total concept and feel” of the copyrighted work, *Roth Greeting Cards v. United Card Co.*, 429 F.2d 1106, 1110 (9th Cir. 1970).

While dissection is generally disfavored, the ordinary observer test, in application, must take into account that the copyright laws preclude appropriation of only those elements of the work that are protected by the copyright. The Copyright Act of 1976 codifies this idea-expression dichotomy. 17 U.S.C. s 102(b). Thus, if the only similarity between plaintiffs and defendant’s works is that of the abstract idea, there is an absence of substantial similarity and hence no infringement results.

It follows that copyright protection does not extend to games as such. As Professor Nimmer notes, however, “some limited copyright protection is nevertheless available in connection with games.... (A) relatively minimal artistic expression, if original, would render copyrightable ... the pattern or design of game boards and playing cards as pictorial or graphic works.” 1 Nimmer s 2.18(H)(3), at 2-212. Recognizing this principle, the Second Circuit has held copyrightable as an audiovisual work, see 17 U.S.C. s 102(a)(6), the “repetitive sequence of a substantial portion of the sights and sounds” of a video game called “SCRAMBLE.” This appeal requires us to address the related question of the scope of copyright protection to be afforded audiovisual games such as *PAC-MAN*. To do so, we must first attempt to distill the protectible forms of expression in *PAC-MAN* from the game itself.

There is no litmus paper test by which to apply the idea-expression distinction; the determination is necessarily subjective. As Judge Learned Hand said, “Obviously, no principle can be stated as to when an imitator has gone beyond copying the ‘idea,’ and has borrowed its ‘expression.’ Decisions must therefore inevitably be *ad hoc*.” *Peter Pan Fabrics*, 274 F.2d at 489. Courts and commentators nevertheless have developed a few helpful approaches. In *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir. 1930), Judge Hand articulated what is now known as the “abstractions test”:

Upon any work ... a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out.... (T)here is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his “ideas,” to which, apart from their expression, his property is never extended. Nobody has ever been able to fix that boundary, and nobody ever can.... As respects plays, the controversy chiefly centers upon the characters and sequence of incident, these being the substance.

This “test” has proven useful in analyzing dramatic works, literary works, and motion pictures, where the recurring patterns can readily be abstracted into very general themes

A related concept is that of idea-expression unity: where idea and expression are indistinguishable, the copyright will protect against only identical copying. *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, 446 F.2d 738 (9th Cir. 1971), presents a good example and discussion of this limitation. Plaintiff charged defendants with copyright infringement of a pin in the shape of a bee encrusted with jewels. The court assumed the validity of plaintiff’s copyright, but refused to find substantial similarity:

What is basically at stake is the extent of the copyright owner’s monopoly—from how large an area of activity did Congress intend to allow the copyright owner to exclude others? We think the production of jeweled bee pins is a larger private preserve than Congress intended to be set aside in the public market without a patent. A jeweled bee pin is therefore an “idea” that defendants were free to copy. Plaintiff seems to agree, for it disavows any claim that defendants cannot manufacture and sell jeweled bee pins and concedes that only plaintiff’s particular design or “expression” of the jeweled bee pin “idea” is protected under its copyright. The difficulty, as we have noted, is that on this record the “idea” and its “expression” appear to be indistinguishable. There is no greater similarity between the pins of plaintiff and defendants than is inevitable from the use of jewel-encrusted bee forms in both.

When the “idea” and its “expression” are thus inseparable, copying the “expression” will not be barred, since protecting the “expression” in such circumstances would confer a monopoly of the “idea” upon the copyright owner free of the conditions and limitations imposed by the patent law.

In the context of literary works, some courts have adopted a similar *scènes à faire* approach. *Scènes à faire* refers to “incidents, characters or settings which are as a practical matter indispensable, or at least standard, in the treatment of a given topic.” Such stock literary devices are not protectible by copyright. Thus, “similarity of expression, whether literal or nonliteral, which necessarily results from the fact that the common idea is only capable of expression in more or less stereotyped form will preclude a finding of actionable similarity.”

As *Kalpakian* and other cases show, that a work is copyrighted says very little about the scope of its protection. But the *Kalpakian* case is nonetheless instructive in that it represents one end of a spectrum of protection. As a work embodies more in the way of particularized expression, it moves farther away from the bee pin in *Kalpakian*, and receives broader copyright protection. At the opposite end of the spectrum lie the “strongest” works in which fairly complex or fanciful artistic expressions predominate over relatively simplistic themes and which are almost entirely products of the author’s creativity rather than concomitants of those themes.

Plaintiffs’ audiovisual work is primarily an unprotectible game, but unlike the bee pin, to at least a limited extent the particular form in which it is expressed (shapes, sizes, colors, sequences, arrangements, and sounds) provides something “new or additional over the idea.” In applying the abstractions test, we find that plaintiffs’ game can be described accurately in fairly abstract terms, much in the same way as one would articulate the rules to such a game. PAC-MAN is a maze-chase game in which the player scores points by guiding a central figure through various passageways of a maze and at the same time avoiding collision with certain opponents or pursuit figures which move independently about the maze. Under certain conditions, the central figure may temporarily become empowered to chase and overtake the opponents, thereby scoring bonus points. The audio component and the concrete details of the visual presentation constitute the copyrightable expression of that game “idea.”

Certain expressive matter in the PAC-MAN work, however, should be treated as *scènes à faire* and receive protection only from virtually identical copying. The maze and scoring table are standard game devices, and the tunnel exits are nothing more than the commonly used “wrap around” concept adapted to a maze-chase game. Similarly, the use of dots provides a means by which a player’s performance can be gauged and rewarded with the appropriate number of points, and by which to inform the player of his or her progress. Given their close connection with the underlying game, K. C. Munchkin’s maze design, scoring table, and “dots” are sufficiently different to preclude a finding of infringement on that basis alone.

Rather, it is the substantial appropriation of the PAC-MAN characters that requires reversal of the district court. The expression of the central figure as a “gobbler” and the pursuit figures as “ghost monsters” distinguishes PAC-MAN from conceptually similar video games. Other games, such as “Rally-X” (described in *Dirkschneider*) and North American’s own “Take the Money and Run,” illustrate different ways in which a basic maze-chase game can be expressed. PAC-MAN’s particular artistic interpretation of the game was designed to create a certain impression which would appeal to a nonviolent player personality. The game as such, however, does not dictate the use of a “gobbler” and “ghost monsters.” Those characters are wholly fanciful creations, without reference to the real world.

North American not only adopted the same basic characters but also portrayed them in a manner which made K. C. Munchkin appear substantially similar to PAC-MAN. The K. C. Munchkin gobbler has several blatantly similar features, including the relative size and shape of the “body,” the V-shaped “mouth,” its distinctive gobbling action (with appropriate sounds), and especially the way in which it disappears upon being captured. An examination of the K. C. Munchkin ghost monsters reveals even more significant visual similarities. In size, shape, and manner of movement, they are virtually identical to their PAC-MAN counterparts. K. C. Munchkin’s monsters, for example, exhibit the same peculiar “eye” and “leg” movement. Both games, moreover, express the role reversal and “regeneration” process with such great similarity that an ordinary observer could conclude only that North American copied plaintiffs’ PAC-MAN.

Defendants point to a laundry list of specific differences—particularly the concept of moving dots, the variations in mazes, and certain changes in facial features and colors of the characters—which they contend, and the district court apparently agreed, shows lack of substantial similarity. Although numerous differences may influence the impressions of the ordinary observer, “slight differences between a protected work and an accused work will not preclude a finding of infringement” where the works are substantially similar in other respects. Exact reproduction or near identity is not necessary to establish infringement. In comparing the two works, the district court focused on certain differences in detail and seemingly ignored (or at least failed to articulate) the more obvious similarities. The sine qua non of the ordinary observer test, however, is the overall similarities rather than the minute differences between the two works. The nature of the alterations on which North American relies only tends to emphasize the extent to which it deliberately copied from the plaintiffs’ work. When analyzing two works to determine whether they are substantially similar, courts should be careful not to lose sight of the forest for the trees.

To assess the impact of certain differences, one factor to consider is the nature of the protected material and the setting in which it appears. Video games, unlike an artist’s painting or even other audiovisual works, appeal to an audience that is fairly indiscriminating insofar as their concern about more subtle differences in artistic expression. The main attraction of a game such as PAC-MAN lies in the stimulation provided by the intensity of the competition. A person who is entranced by the play of the game “would be disposed to overlook” many of the minor differences in detail and “regard their aesthetic appeal as the same.”

The defendants and the district court order stress that K. C. Munchkin plays differently because of the moving dots and the variety of maze configurations from which the player can choose. The focus in a copyright infringement action, however, is on the similarities in protectible expression. Even to the extent that those differences alter the visual impression of K. C. Munchkin, they are insufficient to preclude a finding of infringement. It is enough that substantial parts were lifted; no plagiarist can excuse the wrong by showing how much of his work he did not pirate. Infringement may be found where the similarity relates to matter which constitutes a substantial portion of plaintiffs’ work—i.e., matter which is of value to plaintiffs. It is irrelevant that K. C. Munchkin has other game modes which employ various maze configurations. The only mode that concerns this court is the one that uses a display most similar to the one in PAC-MAN.

Based on an ocular comparison of the two works, we conclude that plaintiffs clearly showed likelihood of success. Although not “virtually identical” to PAC-MAN, K. C. Munchkin captures the “total concept and feel” of and is substantially similar to PAC-MAN. This case is a far cry from those in which the defendant appropriated only the game idea, but adopted its own unique form of expression.

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## Check Your Understanding – *Atari*

**Question 1.** Which of the following doctrines does the court invoke in arriving at its decision in *Atari*?



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**Question 2.** Why did the Seventh Circuit reverse the district court’s conclusion that Atari had failed to show a likelihood of success in proving that K.C. Munchkin infringed its copyright in PAC-MAN?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=154#h5p-158>

In the following decision, J.K. Rowling, creator of the Harry Potter series, accuses a fan of copyright infringement.

Some things to consider when reading *Warner Bros.*:

1. The plaintiffs include J.K. Rowling, and the accused infringer has created a “Lexicon” of her copyrighted Harry Potter books that copies substantially from the books.<sup>1</sup> Why does the court reject the defendant’s argument that he has only copied “facts” from the Harry Potter books?
2. Originally the plaintiffs seemed to have no problem with the Lexicon. Why did that change?

### ***Warner Bros. Entm’t Inc. v. RDR Books***

575 F. Supp. 2d 513 (S.D.N.Y. 2008)

ROBERT P. PATTERSON, JR., District Judge.

On October 31, 2007, Plaintiffs Warner Bros. Entertainment Inc. and J.K. Rowling commenced this action against Defendant RDR Books, alleging copyright infringement as well as several other federal and state claims, and seeking both injunctive relief and damages. The Court held a bench trial on the merits from April 14, 2008 to April 17, 2008. This opinion constitutes the Court’s findings of fact and conclusions of law.

#### **FINDINGS OF FACT**

##### **I. The Copyrighted Works**

Plaintiff J.K. Rowling (“Rowling”) is the author of the highly acclaimed *Harry Potter* book series. Written for children but enjoyed by children and adults alike, the *Harry Potter* series chronicles the lives and adventures of Harry Potter and his friends as they come of age at the Hogwarts School of Witchcraft and Wizardry and

face the evil Lord Voldemort. It is a tale of a fictional world filled with magical spells, fantastical creatures, and imaginary places and things.

As a result of the success of the *Harry Potter* books, Plaintiff Warner Bros. Entertainment Inc. (“Warner Brothers”) obtained from Rowling the exclusive film rights to the entire seven-book *Harry Potter* series. To date, Warner Brothers has released five *Harry Potter* films, and the sixth is scheduled for a worldwide release in November 2008. Each of the *Harry Potter* films is the subject of a copyright registration. Warner Brothers licensed certain rights to Electronic Arts to create video games based on the *Harry Potter* books and films, which included a series of “Famous Wizard Cards” that Rowling created and which are the subject of U.S. copyright registrations jointly owned by Warner Brothers and Electronic Arts.

Rowling has stated on a number of occasions since 1998 that she plans to publish a “Harry Potter encyclopedia” after the completion of the series and donate the proceeds to charity. While she intends to add new material as well, her encyclopedia is expected to reflect all of the information in the *Harry Potter* series. Rowling already has begun preparations for work on the encyclopedia by assembling her materials and requesting from her U.K. publisher its “bible” of *Harry Potter* materials. The publisher’s “bible” is a catalogue of the people, places, and things from the *Harry Potter* books. Rowling’s U.S. publisher has compiled a similar catalogue of elements from the *Harry Potter* books which Rowling has requested and intends to draw on in creating her encyclopedia.

## **II. The Allegedly Infringing Work**

Defendant RDR Books is a Michigan-based publishing company that seeks to publish a book entitled “The Lexicon,” the subject of this lawsuit. Steven Vander Ark, a former library media specialist at a middle school in Michigan, is the attributed author of the Lexicon. He is also the originator, owner, and operator of “The Harry Potter Lexicon” website, a popular *Harry Potter* fan site from which the content of the Lexicon is drawn.

### **A. The Origins of the Lexicon**

An immediate fan of the *Harry Potter* novels, Vander Ark began taking personal notes to keep track of the details and elements that unfold in the *Harry Potter* world while reading the second book in the series in 1999. After joining an online discussion group about the *Harry Potter* books, Vander Ark expanded his notes to include descriptive lists of the spells, characters, and fictional objects in *Harry Potter* to share with fellow fans. These lists included brief descriptions or definitions of the terms.

Vander Ark began work on his website, “The Harry Potter Lexicon” (the “website” or “Lexicon website”), in 1999 and opened the website in 2000. His purpose in establishing the website was to create an encyclopedia that collected and organized information from the *Harry Potter* books in one central source for fans to use for reference. At its launch, the website featured Vander Ark’s descriptive lists of spells, characters, creatures, and magical items from *Harry Potter* with hyperlinks to cross-referenced entries. In response to feedback from users of the website, Vander Ark developed an A-to-Z index to each list to allow users to search for entries alphabetically.

The website presently features several indexed lists of people, places, and things from *Harry Potter*, including the “Encyclopedia of Spells,” “Encyclopedia of Potions,” “Wizards, Witches, and Beings,”

“The Bestiary,” and “Gazetteer of the Wizarding World.” In addition to these reference features, the website contains a variety of supplemental material pertaining to *Harry Potter*, including fan art, commentary, essays, timelines, forums, and interactive data. The website is currently run by a staff of seven or eight volunteers, including four primary editors, all of whom were recruited to help update and expand the website’s content after the publication of the fifth book in the *Harry Potter* series. The website uses minimal advertising to offset the costs of operation. Use of the website is free and unrestricted.

The content of the encyclopedia entries on the Lexicon website is drawn primarily from the *Harry Potter* series.

Vander Ark has received positive feedback, including from Rowling and her publishers, about the value of the Lexicon website as a reference source. In May 2004, Vander Ark read a remark by Rowling posted on her website praising his Lexicon website as follows: “This is such a great site that I have been known to sneak into an internet cafe while out writing and check a fact rather than go into a bookshop and buy a copy of *Harry Potter* (which is embarrassing). A website for the dangerously obsessive; my natural home.” In July 2005, Vander Ark received a note from Cheryl Klein, a Senior Editor at Scholastic Inc., American publisher of the *Harry Potter* series, thanking him and his staff “for the wonderful resource [his] site provides for fans, students, and indeed editors & copyeditors of the *Harry Potter* series,” who “referred to the Lexicon countless times during the editing of [the sixth book in the series], whether to verify a fact, check a timeline, or get a chapter & book reference for a particular event.” In September 2006, Vander Ark was invited by Warner Brothers to the set of the film *The Order of the Phoenix*, where he met David Heyman, the producer of all the *Harry Potter* films. Heyman told Vander Ark that Warner Brothers used the Lexicon website almost every day. Finally, in July 2007, Vander Ark visited the studios of Electronic Arts, the licensed producer of the *Harry Potter* video games, where he observed printed pages from the Lexicon covering the walls of the studio.

## **B. RDR Books’ Acquisition and Marketing of the Lexicon**

Roger Rapoport is the president of Defendant RDR Books. Rapoport learned of Vander Ark and the Lexicon website when he read an article in his local newspaper dated July 23, 2007, profiling Vander Ark as a well known figure within the *Harry Potter* fan community and the proprietor of the Lexicon website who “holds the key to all things ‘Harry Potter.’” Recognizing a publishing opportunity, Rapoport contacted Vander Ark on August 6, 2007 about the possibility of publishing a *Harry Potter* encyclopedia based on some of the materials from the Lexicon website.

At his first meeting with Rapoport in August 2007, Vander Ark raised his concerns regarding the permissibility of publishing the Lexicon in view of Rowling’s plan to publish an encyclopedia and her copyrights in the *Harry Potter* books. Prior to August 2007, Vander Ark had developed and circulated the opinion that publishing “any book that is a guide to [the *Harry Potter* ] world” would be a violation of Rowling’s intellectual property rights. Vander Ark had even stated on a public internet newsgroup that he would not publish the Lexicon “in any form except online” without permission because Rowling, not he, was “entitled to that market.” Vander Ark changed his mind about publishing the Lexicon after Rapoport reassured him that he had looked into the legal issue and determined that publication of content from the Lexicon website in book form was legal. Rapoport agreed to stand by this opinion by adding an atypical



clause to the publishing contract providing that RDR would defend and indemnify Vander Ark in the event of any lawsuits.

Rapoport and Vander Ark agreed that the content of the book would be limited to the encyclopedia sections of the Lexicon website that presented descriptions of the persons, places, spells, and creatures from the *Harry Potter* works.

#### **D. The Content of the Lexicon**

The Lexicon is an A-to-Z guide to the creatures, characters, objects, events, and places that exist in the world of *Harry Potter*. The Lexicon itself makes clear that the only source of its content is the work of J.K. Rowling. The first page of the Lexicon manuscript states: “All the information in the *Harry Potter* Lexicon comes from J.K. Rowling, either in the novels, the ‘schoolbooks,’ from her interviews, or from material which she developed or wrote herself.”

The Lexicon entries cull every item and character that appears in the *Harry Potter* works, no matter if it plays a significant or insignificant role in the story. The entries cover every spell (e.g., *Expecto Patronum*, *Expelliarmus*, and *Incendio*), potion (e.g., *Love Potion*, *Felix Felicis*, and *Draught of Living Death*), magical item or device (e.g., *Deathly Hallows*, *Horcrux*, *Cloak of Invisibility*), form of magic (e.g., *Legilimency*, *Occlumency*, and the *Dark Arts*), creature (e.g., *Blast-Ended Skrewt*, *Dementors*, and *Blood-Sucking Bugbears*), character (e.g., *Harry Potter*, *Hagrid*, and *Lord Voldemort*), group or force (e.g., *Aurors*, *Dumbledore’s Army*, *Death Eaters*), invented game (e.g., *Quidditch*), and imaginary place (e.g., *Hogwarts School of Witchcraft and Wizardry*, *Diagon Alley*, and the *Ministry of Magic*) that appear in the *Harry Potter* works.

Each entry, with the exception of the shortest ones, gathers and synthesizes pieces of information relating to its subject that appear scattered across the *Harry Potter* novels, the companion books, *The Daily Prophet* newsletters, *Famous Wizard Cards*, and published interviews of Rowling. The snippets of information in the entries are generally followed by citations in parentheses that indicate where they were found within the corpus of the *Harry Potter* works.

Although it is difficult to quantify how much of the language in the Lexicon is directly lifted from the *Harry Potter* novels and companion books, the Lexicon indeed contains at least a troubling amount of direct quotation or close paraphrasing of Rowling’s original language. The Lexicon occasionally uses quotation marks to indicate Rowling’s language, but more often the original language is copied without quotation marks, often making it difficult to know which words are Rowling’s and which are Vander Ark’s.

For example, in the entry for “armor, goblin made,” the Lexicon uses Rowling’s poetic language nearly verbatim without quotation marks. The original language from *Harry Potter and the Deathly Hallows* reads:

“Muggle-borns,” he said. “Goblin-made armour does not require cleaning, simple girl. Goblins’ silver repels mundane dirt, imbibing only that which strengthens it.”

The Lexicon entry for “armor, goblin made” reads in its entirety:

Some armor in the wizarding world is made by goblins, and it is quite valuable. (e.g., HBP20)

According to Phineas Nigellus, goblin-made armor does not require cleaning, because goblins' silver repels mundane dirt, imbibing only that which strengthens it, such as basilisk venom. In this context, "armor" also includes blades such as swords.

Although the Lexicon entry introduces Rowling's language with the phrase, "According to Phineas Nigellus," it does not use quotation marks.

The Lexicon entry for "Dementors" reproduces Rowling's vivid description of this creature sometimes using quotation marks and sometimes quoting or closely paraphrasing without indicating which language is original expression. The original language appears in Chapters 5 and 10 of *Harry Potter and the Prisoner of Azkaban* as follows:

... Its face was completely hidden beneath its hood.... There was a hand protruding from the cloak and it was glistening, grayish, slimy-looking, and scabbed, like something dead that had decayed in water....

And then the thing beneath the hood, whatever it was, drew a long, slow, rattling breath, as though it were trying to suck something more than air from its surroundings.

\* \* \*

"Dementors are among the foulest creatures to walk this earth. They infest the darkest, filthiest places, they glory in decay and despair, they drain peace, hope, and happiness out of the air around them. Even Muggles feel their presence, though they can't see them. Get too near a dementor and every good feeling, every happy memory will be sucked out of you. If it can, the dementor will feed on you long enough to reduce you to something like itself ... soulless and evil...."

The Lexicon entry for "Dementors" reads in its entirety:

Dementors are some of the most terrible creatures on earth, flying tall black spectral humanoid things with flowing robes. They "infest the darkest, filthiest places, they glory in decay and despair, they drain peace, hope, and happiness out of the air around them," according to Lupin (PA10). Dementors affect even Muggles, although Muggles can't see the foul, black creatures. Dementors feed on positive human emotions; a large crowd is like a feast to them. They drain a wizard of his power if left with them too long. They were the guards at Azkaban and made that place horrible indeed. The Ministry used Dementors as guards in its courtrooms as well (GF30, DH13). There are certain defenses one can use against Dementors, specifically the Patronus Charm. A Dementor's breath sounds rattling and like it's trying to suck more than air out of a room. Its hands are "glistening, grayish, slimy-looking, and scabbed". It exudes a biting, soul-freezing cold (PA5).

## CONCLUSIONS OF LAW

### B. Copying

There is no dispute that the Lexicon actually copied from Rowling's copyrighted works. Vander Ark openly admitted that he created and updated the content of the Lexicon by taking notes while reading the *Harry Potter* books and by using without authorization scanned, electronic copies of the *Harry Potter* novels and

companion books. While acknowledging actual copying, Defendant disputes that the copying amounts to an improper or unlawful appropriation of Rowling's works. Defendant argues that Plaintiffs fail to establish a prima facie case of infringement because they have not shown that the Lexicon is substantially similar to the *Harry Potter* works.

The appropriate inquiry under the substantial similarity test is whether the copying is quantitatively and qualitatively sufficient to support the legal conclusion that infringement (actionable copying) has occurred. The quantitative component addresses the amount of the copyrighted work that is copied, while the qualitative component addresses the copying of protected expression, as opposed to unprotected ideas or facts.

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. 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.

Plaintiffs have shown that the Lexicon copies a sufficient quantity of the *Harry Potter* series to support a finding of substantial similarity between the Lexicon and Rowling's novels. The Lexicon draws 450 manuscript pages worth of material primarily from the 4,100-page *Harry Potter* series. Most of the Lexicon's 2,437 entries contain direct quotations or paraphrases, plot details, or summaries of scenes from one or more of the *Harry Potter* novels. Although hundreds of pages or thousands of fictional facts may amount to only a fraction of the seven-book series, this quantum of copying is sufficient to support a finding of substantial similarity where the copied expression is entirely the product of the original author's imagination and creation.

As to the qualitative component of the substantial similarity analysis, Plaintiffs have shown that the Lexicon draws its content from creative, original expression in the *Harry Potter* series and companion books. Each of the 2,437 entries in the Lexicon contains "fictional facts" created by Rowling, such as the attributes of imaginary creatures and objects, the traits and undertakings of major and minor characters, and the events surrounding them. The entry for "Boggart," for example, contains the fictional facts that a boggart is "[a] shape shifter that prefers to live in dark, confined spaces, taking the form of the thing most feared by the person it encounters; nobody knows what a boggart looks like in its natural state," and that "Lupin taught his third year Defence Against the Dark Arts class to fight [a boggart] with the Riddikulus spell (PA7), and used a boggart as a substitute for a Dementor in tutoring Harry (PA12)."

In *Castle Rock Entertainment Inc. v. Carol Publishing Group, Inc.*, the Second Circuit explained that such invented facts constitute creative expression protected by copyright because "characters and events spring from the imagination of [the original] authors." 150 F.3d at 139; see also *Paramount Pictures Corp. v. Carol Publ'g Group*, 11 F.Supp.2d 329, 333 (S.D.N.Y.1998) (stating that "[t]he characters, plots and dramatic episodes" that comprise the story of the "fictitious history of Star Trek" are the story's "original elements," protected by copyright). The *Castle Rock* court held that a trivia book which tested the reader's knowledge of "facts" from the *Seinfeld* series copied protected expression because "each 'fact' tested by [the trivia book] is in reality fictitious expression created by *Seinfeld*'s authors." It follows that the same qualitative conclusion should be drawn here, where each "fact" reported by the Lexicon is actually expression invented by Rowling.

It is clear that the plotlines and scenes encapsulated in the Lexicon are appropriated from the original copyrighted works. Under these circumstances, Plaintiffs have established a prima facie case of infringement.

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## Check Your Understanding – Warner Bros.

**Question 1.** True or false: In a case in which actual copying is undisputed, the test for improper or unlawful appropriation is whether the amount of copying that has occurred is sufficient, both in terms of quantity and quality, to support a legal conclusion of infringement.



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-159>

**Question 2.** In *Warner Bros. Entm't Inc.*, why did the district court conclude that the plaintiff had established a prima facie case of infringement?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-160>

In the next case, the shoe is on the other foot, with J.K. Rowling standing accused of infringing the copyright of an earlier, but much less popular, literary work directed primarily towards an audience of children.

Some things to consider when reading *Allen*:

1. The plaintiff's copyrighted work in this case is *Livid Land*, a book about a wizard who participates in a contest in which he competes against other wizards. The accused work is *Goblets of Fire*, a very successful book from J.K. Rowling's Harry Potter series. *Goblets of Fire* is also a story about a wizard, Harry Potter, who also participates in a contest in which he competes against other wizards. The question is whether a reasonable juror could find a substantial similarity between the two books.
2. Note the variety of different aspects of the books that the court analyzes, such as theme, characters, pace, and setting, as well as total concept and feel.

# *Allen v. Scholastic Inc.*

739 F. Supp. 2d 642 (S.D.N.Y. 2011)

SHIRA A. SCHEINDLIN, District Judge:

## I. INTRODUCTION

Paul Gregory Allen, in his capacity as the trustee of the estate of Adrian Jacobs, brings a claim for copyright infringement against defendant Scholastic Inc. (“Scholastic”) relating to its 2000 publication in the United States of J.K. Rowling’s *Harry Potter and the Goblet of Fire* (“*Goblet of Fire*”). Plaintiff alleges that *Goblet of Fire* unlawfully used protected expressions from *The Adventures of Willy the Wizard—No 1 Livid Land* (“*Livid Land*”), a work authored by Jacobs and published in the United Kingdom in 1987. In response, defendant now moves to dismiss the complaint on the ground that no reasonable juror could find a substantial similarity between the two books. For the reasons set forth below, defendant’s motion is granted in its entirety.

## II. BACKGROUND

Because determining whether substantial similarity exists requires courts to engage in a detailed examination of the works themselves, I begin with an overview of *Livid Land* and *Goblet of Fire*.

### A. *Livid Land*

#### 1. General Overview

*Livid Land* tells the story of an adult wizard named Willy who participates in “the year of the wizards’ contest” for the chance to win life membership in “Stellar Land [e]very wizard’s dream of retirement.” The thirty-two page book consists of sixteen pages of text by Jacobs, and sixteen pages of accompanying color illustrations by Nick Tidman.

#### 2. The Protagonist

Willy has shoulder-length blond hair, blue eyes, a beard, and a long Pinocchio-like nose. His wardrobe consists of a hoop earring, a floor length tunic, pointy Aladdin-type shoes, and a bent, cone-shaped hat. Willy was raised in Switzerland by his father, an “angelsmith” who “had a contract with God [that] gave him the exclusive monopoly [to perform repairs] on all angel defects.” When he was fourteen years old, he was “given the Book of Secrets with directions as to his initiation into Wizardry” and became the first wizard in the country. After completing Wizard’s college, Willy moved to a private “new community in Memories Hideaway,” which he created by abducting and casting a memory spell on twenty-five tourists from the same family, spiriting away their bodies, and leaving their frozen empty clothes standing erect to scare others away. Willy’s privacy was subsequently ensured as news of the missing tourists spread across Europe, and the town containing Memories Hideaway was renamed from Village Romantic to Village Remorse.

Inside Memories Hideaway, the abducted tourists happily run an angel repair shop, a gourmet chocolate factory, and a brewery, “activities which Willy encouraged, fostered and turned into profitable cottage industries” to meet the high “expenses of running his domain.” Their “children had grown, married, begot children” and together they constitute a thriving, contented community. Several apprentice

wizards—Tinken, Taylor, Solydar, and Delight—also reside in Magical Hideaway, and bestowed upon Willy an “elaborate factory ... in protest at the conditions in which they had formerly worked.”

### 3. The Plot

The story begins as Willy travels to a wizard’s conference held at Napoleon’s Castle, which is reached by a “velvet ladder” dangling from the sky. As Willy enters the “great hall” of the castle, he encounters a “dramatic scene.” The space is overrun with wizards of all races and nationalities, and as Willy “realizes the immensity of the Wizard brotherhood” for the first time, he is “frightened at the power it can muster.” Willy is also terrified by the sight of a “large white banner printed in giant letters” declaring that spell-casting is forbidden inside the castle, and that violators will be banished to the much dreaded Treatment Island—particularly as he had just jokingly considered turning all the wizards into lizards.

The conference itself is a brief affair. A French wizard named Wizard Duke Louis Dix-Sept, whose head is made invisible in order to prevent the “largely uncontrollable assassination spell” invoked by “gather[ing] of more than twenty,” emerges from a carriage to inaugurate the year-long wizards’ tournament and instructs the attendees that they “will be given details of the competitions, prizes and penalties.” Thereafter, the wizards immediately disperse, because they have “to be away from the castle environs in ten minutes.” Willy uses an invisible flying swan taxi and magic powder from a gold snuff box to transport himself home to Memories Hideaway.

Upon his return, Willy sits in his “yellow bathroom-cum-study [, where] he [does] his best thinking,” soaks in a special water additive available only to five star wizards, and turns on a slide-out screen that emerges from the flat wall before him. After he feeds in the contest details provided at the conference, the text is magically magnified and reads: “GAIN ENTRANCE TO LIVID LAND! AND RELEASE FEMALE PRISONERS FROM ANGRY SAM’S COMPOUND. FORTY POINTS AWARDED FOR EACH PRISONER RESCUED.” Wizards who obtain more than one thousand stars receive the coveted grand prize, admission to Stellar Land.

Willy immediately orders his apprentices to brief him on Livid Land by beaming them his thoughts. From them, he learns that Livid Land is an island off the tip of Papua that is inhabited by Kanganatives, beings with the torsos of humans and the legs of kangaroos. Access to Livid Land is severely restricted and virtually impossible—unauthorized visitors have to penetrate the Sky-to-Ocean barrier and supply the secret password, which is changed each month. There is, however, an unguarded underground tunnel accessible from the ocean floor that is big enough only for Kanga Pygmies and, luckily, Willy’s “miniature midget elves.” Aided by the seven swiftest Angels in Heavenland, Willy dispatches the Pixie Elf Brigade—Bimbo-Sad-Eyes, Botticello, and Simple Elf—to the island to uncover the secret password, which they manage to do by spying on the Kanganatives. Sitting at home in Ali Baba’s chair, Willy is “frequentized into vision acute” and, through the “clarity-waves” transmitted from the Island, can see the Pixie Elf Brigade in real-time as they learn that the password is FURY. Having completed their mission, the Pixie Elf Brigade, with the exception of Bimbo-Sad-Eyes, is picked up by Anna Eagle and flown back to Memories Hideaway.

Disguised as a “blue rarebit,” a creature avoided by Kanganatives as bad luck, Bimbo-Sad-Eyes is able to remain on Livid Land to coordinate the escape of ten female prisoners. Bimbo-Sad-Eyes learns that Kanganatives are addicted to chocolate, and transmits the information to Willy through the Quebec Communicator attached from his whiskers to his left nostril. After pondering for three days, Willy hatches

a plan, OPERATION DIVERT, to release the prisoners; the plan is based on an idea devised by a visitor to his chocolate factory to boost Willy's chocolate sales. Willy enlists the help of Angel Leader Halo Perfectus and his meteorological experts to make sleep-inducing chocolate rain pour over Livid Land and enchant the Kanganatives. As the Kanganatives sleep, the coquettish Apprentice Delight is dispatched to the island in order to charm the prison-guard while Bimbo-Sad-Eyes releases the ten female prisoners. Using the secret password, the group is easily able to leave Livid Land as Willy watches from his Ali Baba chair, happy and relaxed now that "[he] had won his particular wizard's test and the ladies were free."

## **B. Goblet of Fire**

### **1. General Overview**

*Goblet of Fire* is the fourth book in an international, **award-winning, and best selling** seven-book series written by English author J.K. Rowling. The series follows the adventures of a famous young wizard named Harry Potter from the time that he learns of his powers at age eleven until the end of his adolescence. *Goblet of Fire* chronicles Harry's participation in a tournament between rival magic schools when he is fourteen years old. The book itself is 734 pages, almost all of which are entirely text; the only illustrations are small charcoal images set above the title of every new chapter.

### **2. The Protagonist**

Harry is a "skinny boy of fourteen" with large round glasses, "bright green eyes and untidy black hair." When Harry was a year old, his mother and father were killed by Lord Voldemort ("Voldemort"), "the most powerful Dark wizard for a century." Voldemort had attempted to kill Harry as well, but "the curse that had disposed of many full-grown witches and wizards in [Voldemort's] steady rise to power" over the past eleven years had mysteriously failed. Instead of killing Harry, it "rebounded upon Voldemort ... [and] reduced [him] to something barely alive," forcing him to flee and lifting "the terror in which the secret community of witches and wizards had lived for so long." Harry was left only with a distinctive scar on his forehead shaped like a bolt of lightning, and became immediately famous in hidden wizarding world—even as he himself was unaware of its existence or his own magical origins.

Because Harry was raised by his non-magical, or "Muggle," aunt and uncle (the "Dursleys"), who "despised magic in any form," Harry did not learn that he was a wizard until his eleventh birthday, when he was admitted to the Hogwarts School of Witchcraft and Wizardry ("Hogwarts"), a boarding school for young wizards in training. Harry's time at Hogwarts provides a happy reprieve from the mean-spirited Dursleys, who consider him to be "about as welcome ... as dry rot" in their home and who generally strive to make him as "miserable as possible." At Hogwarts, Harry has two best friends, Ron Weasley and Hermione Granger, from whom he is inseparable, and a headmaster, Professor Albus Dumbledore ("Dumbledore"), in whom he can confide.

Hogwarts is housed in a huge, sprawling castle that cannot be seen or located by Muggles. The primary means of transportation to Hogwarts Castle is the Hogwarts Express, "a gleaming scarlet steam engine" that leaves from a magical platform found between "the apparently solid barrier dividing platforms nine and ten" in a regular train station. The most distinguished feature of the castle is the Great Hall, a "splendid [space] ... gleamed by the light of hundreds and hundreds of candles" and host to any newsworthy event at the school.

### 3. The Plot

*Goblet of Fire* opens during the summer holiday preceding Harry's fourth-year of Hogwarts, with several premonitions that the murderous Voldemort has returned and is planning to kill Harry. The sense of vague apprehension is tempered, however, by the promise of a great surprise awaiting the students of Hogwarts. As the students gather in the Great Hall to inaugurate the new term, Dumbledore announces that Hogwarts will host the Tri-Wizard Tournament ("Tournament"), an inter-scholastic competition in which one representative, or "champion," from each of the "three largest European schools of wizardry" competes in three magical tasks for "the Triwizard Cup, the glory of their school, and a thousand Galleons personal prize money." The Tournament consists of three surprise tasks that will take place over the school year, which are designed to test the champions' "magical prowess—their daring—their powers of deduction—and of course, their ability to cope with danger." A five-judge panel will award marks based on performance in each task, and "the champion with the highest total after task three will win."

Dumbledore explains that the seven-hundred year old Tournament has been suspended for several centuries due to an alarmingly high champion death toll, but is being reinstated in light of new safety precautions that should "ensure that this time, no champion would find himself or herself in mortal danger." Chief among these is a strict age restriction barring contenders under age seventeen, a "measure [considered to be] necessary, given that the tournament tasks will still be difficult and dangerous, whatever precautions [are taken], and it is highly unlikely that [younger] students ... will be able to cope with them." Dumbledore instructs the students that champions will be impartially selected by a goblet "full to the brim with dancing blue-white flames," that will shoot out a "charred piece of parchment" naming the most worthy eligible volunteer from each school.

Although Harry is underage and does not submit his name for consideration, he is mysteriously named as champion in the Tournament, along with three other students—including Cedric Diggory, the intended Hogwarts representative. Harry is suspicious that his participation is the result of sinister manipulation by Voldemort, and intended to ensure his demise. Harry's fear is shared by his Defense Against the Dark Arts professor, Alastor Moody ("Professor Moody"), who is certain that the contest has been manipulated by the forces of Dark Wizardry. Nonetheless, because "[t]he placing of [a student's] name in the goblet constitutes a binding, magical contract," Harry is obligated to compete despite the great personal risk in doing so. Harry's unease is exacerbated by the alienation he feels from his peers, as only Hermione and his professors believe that he did not volunteer for the Tournament. The vast majority of Hogwarts students—including Ron—are angered by Harry's perceived audacity and envious of his inclusion in the competition. Moreover, Harry's competitors suspect that the contest has unfairly been rigged to allow Hogwarts an extra opportunity to attain victory, and are very aggrieved that there are four competitors instead of the intended three.

The first task involves recovering a golden egg guarded by a dragon. Harry learns the nature of the challenge in advance from Hagrid, his professor and friend, and, correctly assuming that Cedric will be the only competitor not similarly forewarned, shares the information with him in the interest of fairness. Harry must confront the Hungarian Horntail, the most dangerous and belligerent of the four dragons that the competitors are paired up with. Based upon a hint from Professor Moody, Harry completes the task by relying on the flying skills he cultivated while playing Quidditch, a wizard sport involving flying broomsticks. He is awarded forty out of fifty points from the judges, and ties for first place. Harry does not care about winning the round, but he is surprised and thrilled by the crowd's support for him, realizing that



“[w]hen it had come down to it, when they had seen what he was facing, most of the school had been on his side as well as Cedric’s.” Harry is most overjoyed that his struggle with the dragon led Ron to realize that he did not volunteer for the tournament, and ended the tension between them.

The second task requires the champions to solve the clue hidden in the retrieved egg. When Harry opens the egg, however, he is greeted only by an incomprehensible “loud and screechy wailing.” Preferring to focus his energies on the upcoming school dance and daydreaming about his crush, Harry puts off making sense of the clue until he receives some unexpected assistance. In gratitude for Harry’s help with the first task, Cedric advises him to take a bath with the egg in the prefects’ bathroom, a “magnificent” space with a bathtub the size of a swimming pool. After Moaning Myrtle, the resident bathroom ghost, clarifies that he should hold the egg under water, Harry is able to hear a riddle revealing the second task. He learns that he will have to recover something “[he’ll] surely miss”—which turns out to be Ron—from a community of merpeople, human-mermaid hybrids who live at the bottom of a lake on the school grounds.

Harry spends the next several weeks fruitlessly researching how to breathe underwater with Hermione and Ron. Finally, on the day of the task, a house elf named Dobby provides Harry with a solution in the form of gillyweed, a magical plant that enables him to grow gills. Harry reaches the bottom of the lake first and discovers that, in addition to Ron, three other students are waiting to be rescued by the champions. Incorrectly believing that the students will otherwise be harmed, Harry waits for the other champions to arrive to ensure that everyone is retrieved from the lake. When one champion fails to appear, Harry exceeds the allotted time limit and specified scope of the task in order to pull both Ron and the remaining student from the water. Nonetheless, he is awarded forty-five out of fifty points for his “moral fiber” and comes in second place.

The third and final task appears to be “very straightforward”—the Triwizard Cup is placed in the center of a maze filled with magical obstacles, and the first champion to touch it will be named the Tournament winner. Harry and Cedric help each other navigate the labyrinth, reach the finish line before the other champions, and decide to take hold of the Triwizard Cup at the same time to tie the competition. The task, however, turns out to be a trap—upon touching the trophy, they are transported to a graveyard and find themselves face-to-face with Voldemort and his servant Wormtail, who immediately kills Cedric.

Harry must then battle Voldemort, who has used some of Harry’s own blood to restore his strength and the full scope of his powers. As they duel, a beam of light mysteriously connects their wands, causing the ghosts of Voldemort’s victims to appear. The ghosts are able to momentarily divert Voldemort’s attention, giving Harry just enough time to grab Cedric’s body and escape Voldemort’s fatal blow through the Portkey, a magical teleporting device, that transports him back to Hogwarts. Once he is back at school, Harry is whisked by someone who appears to be Professor Moody, but is actually Voldemort’s most zealous supporter, Barty Crouch Jr. (“Barty”), in disguise. Barty boasts that, at Voldemort’s direction, he entered Harry into the Tournament and subsequently “guid[ed him] through the tasks” to ensure that Harry would reach the Triwizard Cup first and fall prey to Voldemort’s trap—knowing that Hagrid, Cedric, and Dobby would help Harry, he planted the information they shared with him regarding the Tournament tasks. Dumbledore realizes that Harry is in danger just in the nick of time, and saves Harry’s life.

Because Cedric has been killed, Harry is awarded all of the prize money for winning the Tournament. Although he offers it to Cedric’s parents, they refuse to take it and he gives it to Ron’s older

twin brothers to realize their dream of opening a wizard joke shop. The story ends as a more somber and mature Harry travels back home to the Dursleys for his summer vacation.

### **III. APPLICABLE LAW**

#### **B. Copyright Infringement**

To prevail on a claim of copyright infringement, the plaintiff must demonstrate both (1) ownership of a valid copyright and (2) infringement of the copyright by the defendant. The second element is further broken down into two components: a plaintiff with a valid copyright must demonstrate that: (1) the defendant has actually copied the plaintiff's work; and (2) the copying is illegal because a substantial similarity exists between the defendant's work and the protectible elements of plaintiff's. Because direct evidence is seldom available to prove actual copying, a plaintiff may fulfill this requirement with indirect evidence. To this end, copying may be established circumstantially by demonstrating that the person who composed the defendant's work had access to the copyrighted material and that there are similarities between the two works that are probative of copying. Then, to give rise to copyright infringement, the plaintiff must demonstrate that the similarity concerns protected elements of the work at issue. In other words, to be actionable, the alleged similarities must arise from protected aesthetic expressions original to the allegedly infringed work, rather than something in the original that is free for the taking. The law is clear that a copyright does not protect an idea, but only the expression of an idea, and therefore scenes a faire, sequences of events that necessarily result from the choice of a setting or situation, do not enjoy copyright protection.

Substantial similarity exists only when it is protected expression in the earlier work that was copied and the amount that was copied is more than de minimis. The standard test for substantial similarity between two items is whether an ordinary observer, unless he set out to detect the disparities, would be disposed to overlook them, and regard the aesthetic appeal as the same. Under this so-called "ordinary observer test," the essential question is whether an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work. Where the allegedly infringing work contains both protectible and non-protectible elements, however, the usual ordinary observer test becomes more discerning, and requires the Court to attempt to extract the unprotectible elements from consideration and ask whether the protectible elements, standing alone, are substantially similar. Under either test, a court is not to dissect the works at issue into separate components and compare only the copyrightable elements. Instead, the inquiry is principally guided by comparing the contested work's total concept and overall feel with that of the allegedly infringed work, as instructed by a reader's good eyes and common sense.

When a court is called upon to consider whether the works are substantially similar, no discovery or fact-finding is typically necessary, because what is required is only a visual comparison of the works. Thus, while the question of substantial similarity often presents a close issue of fact that must be resolved by a jury, district courts may determine non-infringement as a matter of law either because the similarity between two works concerns only non-copyrightable elements of the plaintiff's work, or because no reasonable jury, properly instructed, could find that the two works are substantially similar.

### **IV. DISCUSSION**

For purposes of this motion, defendant concedes that plaintiff has a valid copyright in *Livid Land* and

that actual copying occurred. The operative question is thus whether a substantial similarity exists between *Goblet of Fire* and the protectible elements of *Livid Land*. Because a court examines the similarities between the two literary works in such aspects as the total concept and feel, theme, characters, plot, sequence, pace and setting of the works, I address each of these features in turn.

However, because the copyright infringement analysis requires direct inspection of the works in question, it is appropriate to include a representative excerpt from each book in support of my conclusion of no infringement. Thus, the opening scenes of both *Goblet of Fire* and *Livid Land* are set forth below. ***These excerpts convey the stark differences between the works far more convincingly than any description, and provide useful context for the ensuing discussion.***

## A. Source Excerpts

### 1. *Livid Land*

Willy the Wizard contemplated his elaborate laboratory. It had been a gift from Tinken, Taylor and Soldyar. They were his apprentice wizards and the gift was in protest at the conditions in which they had formerly worked. They loved all the gleaming apparatus. The whole thing positively bored *him*.

‘Ugh.’

He tapped the pipe leading to a tall retort. He hadn’t realized it was his number two magic wand for Abracadabra! He catapulted right through the skylight, magic carpet and all, and was now proceeding speedily on Cloud 13. Oh dear! He thought. It *would* be Cloud 13.

He hated Cloud 13. It was so much more windy and unprotected and in his surprise departure he had left behind his woollies.

He felt in his tunic pocket Pocket *sesame* was always to be relied on in an emergency. Woosh! He touched the concealed jewelled [sic] dagger that Aladdin had bequeathed to him and presto he was walking silently in Precious Boulevard off Sultan’s Row, that famous Turkish road, every cobble of which was either a ruby or amethyst. Puff puff, he was out of breath. He stopped at Rainbow Fountain and peered into the magic water mumbling the Wizard’s chant. His gaze pierced the surface of the pool, and the sheer beauty beneath him made him gasp.

“Big bear, Small bear, Picnic retreat. Which way to Wizard Napoleon’s Castle?”

### 2. *Goblet of Fire*

The villagers of Little Hangleton still called it “the Riddle House,” even though it had been many years since the Riddle family had lived there. It stood on a hill overlooking the village, some of its windows boarded, tiles missing from its roof, and ivy spreading unchecked over its face. Once a fine looking manor, and easily the largest and grandest building for miles around, the Riddle House was now damp, derelict, and unoccupied.

The Little Hangletons all agreed that the old house was “creepy.” Half a century ago, something strange and horrible had happened there, something that the older inhabitants of the village still liked to discuss when gossip was scarce. The story had been picked over so many times, and had been embroidered in so many

places, that nobody was quite sure what the truth was anymore. Every version of the tale, however, started in the same place: Fifty years before, at daybreak on a fine summer's morning, when the Riddle House had still been well-kept and impressive, a maid had entered the drawing room to find all three Riddles dead.

## B. Analysis

### 1. Total Concept and Feel

Because the works at issue are primarily created for children, the total concept and feel of the works—rather than their plot and character development—is the most important factor for purposes of establishing copyright infringement. Here, the contrast between the total concept and feel of the works is so stark that any serious comparison of the two strains credulity. As an initial matter, the dramatic difference in length between *Goblet of Fire* and *Livid Land*—734 pages and 16 pages of text, respectively—immediately undermines Allen's suggestion that the authors similarly “selected, coordinated and arranged the elements” of their work. Indeed, a reading of the works unequivocally confirms that they are distinctly different in both substance and style, and ultimately engender very different visceral responses from their readers.

The works vary in structure, mood, details, and characterization. *Livid Land* progresses as a series of fragmented and often tangential scenes, each of which summarily recounts Willy's various exploits without any supporting detail, contextual explanation, or suspenseful build-up. Accounts about Willy's background, travels, illnesses, business ventures, and participation in a contest are presented in the same tone and with the same level of generality. To the extent that *Livid Land* specifically aims to tell the story about Willy's participation in a contest—as opposed to providing short and self-contained anecdotes concerning his life in general—its intended subject is made clear only by the fact that the work refers to the contest in more than one chapter. Events are dryly set forth, rather than described. New characters or references frequently pop up without introduction or purpose, never to appear again. Beyond the background fact of the wizards' contest, the book lacks any cohesive narrative elements that can unify or make sense of its disparate anecdotes—a generous reading may infer that its purpose is to engage a child's attention for a few moments at a time, much like a mobile or cartoon. Indeed, the text is enlivened only by the illustrations that accompany it.

*Livid Land* is entirely devoid of a moral message or intellectual depth. It does not present any overarching message or character development. The competition stands as an end in itself, and there is no purpose to Willy's participation aside from victory. The characters never face any difficult choices, or experience any type of conflict. Their feelings are not addressed and their interpersonal relationships are not explored. Essentially, *Livid Land* offers only narration, not nuance.

In contrast, *Goblet of Fire* is a cumulative work, in which one scene builds upon and transitions to another. The storyline is highly developed and complex, and captures the attention of both children and adults for long periods of time. The wizard competition clearly drives the plot and is fleshed out in great detail, but it is not, in and of itself, the primary subject of the book—rather, the competition serves as packaging for various underlying storylines, such as Voldemort's return or Ron and Hermione's romantic feelings towards each other. Indeed, Harry's ordeal is not over following his victory, because Voldemort is still on the loose and the wizard community expects to face “dark and difficult times.” The text is rich in imagery, emotive and suspenseful. Sophisticated literary devices, such as foreshadowing, are frequently employed—for example,

Harry's scar reflexively hurts whenever Voldemort is near him, whether or not he is aware of his presence, with the intensity of the pain corresponding to the degree of danger he is in.

*Goblet of Fire* has a highly developed moral core, and conveys overarching messages through its plot. For example, following Harry's victory and Cedric's death in the competition, Dumbledore instructs the students at Hogwarts that,

in the light of Lord Voldemort's return, we are only as strong as we are united, as weak as we are divided. Lord Voldemort's gift for spreading discord and enmity is very great. We can fight it only by showing an equally strong bond of friendship and trust. Differences of habit and language are nothing at all if our aims are identical and our hearts are open.

Indeed, the book's characters are frequently subject to ethical scrutiny. The choices that they make are often difficult and marked by clear trade-offs, which are explored and elaborated upon. Harry is not concerned with winning the competition, but with doing what is right—for example, he foregoes an easy victory in the second task of the competition to ensure that his competitors reach and save all the hostages at the bottom of the lake.

Given the vast aesthetic and substantive differences between *Livid Land* and *Goblet of Fire*, I find no overlap in their total concept and feel.

## 2. Theme

Allen argues that both works evince themes of “friendship, teamwork, ... the value of personal ingenuity, [and] the international scope and unity of the wizard community.” It is unclear, however, that any discernible—let alone protectible—themes emerge from *Livid Land*'s one-dimensional and desultory account of Willy's participation in the wizard competition. The general foundations of a theme—i.e., sentiment or insight, topical or symbolical occurrences, evolution of character or plot—are not readily identifiable in the text. For example, despite being one of Allen's purported themes, *Livid Land*'s consideration of the “international scope and unity of the wizard community” is limited to the following passage:

There were wizards of all races. Chinese, with massive Mandarin hats beautifully hand painted with peasant scenes. Black and brown wizards from the Ivory Coast and Delhi. Willy wondered. Until now he'd never realised the immensity of the Wizard brotherhood. He was frightened at the power it could muster.

A brief, perfunctory and isolated reference to a subject cannot give rise to a cognizable theme—let alone one that is specific enough to be infringed.

Moreover, *Livid Land* does not provide even those elements necessary to formulate and express the specific themes that plaintiff identifies in the text. For example, Allen identifies friendship as a theme common to both works, but Willy does not seem to have any friends or to express any desire for companionship. Throughout the work, he engages only in cursory and singular interactions with acquaintances. His primary company, and the only other recurring characters, are various apprentices and elves—all of whom are subject to his bidding, and who provide him with assistance in the competition only upon orders to do so.

Because there is scant basis upon which to extrapolate any theme from *Livid Land*, there is certainly no support for a finding of substantial similarity in this regard.

### 3. Characters

Allen argues that the similarities between Willy and Harry provide evidence of unlawful appropriation, because “both protagonists are famous male wizards, initiated late into wizarding (in pre-/early adolescence), who receive formal education in wizardry, and are chosen to compete in year-long wizard competitions.” Even accepting Allen’s dubious characterizations, they constitute a general prototype too indistinct to merit copyright protection. Because the bar for substantial similarity in a character is set quite high, courts have found no substantial similarity between characters sharing far more specific and developed traits.

Allen’s purported list of common attributes between Willy and Harry evokes only a general sketch of a character (i.e., an unprotectible idea), rather than a recognizable identity that can be linked to a particular figure (i.e., a protected expression of that idea). The amorphous figure emerging from Allen’s claimed similarities may be either a villain or hero, acclaimed or maligned, old or young, a social butterfly or solitary recluse—in short, he may be anyone at all. Hence, any similarity between the two characters exists only at a level of abstraction too basic to permit any inference that defendant wrongfully appropriated any expression of plaintiff’s ideas. Particularly where two diametrically opposed characters can be constructed based on plaintiff’s examples of the allegedly infringing characteristics, there cannot be a finding of substantial similarity.

In any event, it is unlikely that a rudimentary character like Willy can be infringed upon at all. *Livid Land* provides only a few details about Willy, such as where he lives and what he does, but does not imbue him with a discernible personality or distinguishable appearance. Despite serving as the protagonist of a children’s work, it is not even clear whether Willy is a ‘good’ moral character. Willy’s superficiality underscores that his character is but a rough idea of general nature instead of a specific expression and realization of those ideas—i.e., Willy is but a bland and interchangeable medium through which a story is told, instead of a purposeful and deliberate actor. Because Willy’s character does not display any creativity, it does not constitute protectible expression.

### 4. Plot and Sequence

Allen argues that “[t]he plots and sequences of [*Livid Land* and *Goblet of Fire* ] provide the clearest examples of the similarity between the works.” Yet while both works tell the story of a wizard competition, and that the protagonist of each book is a wizard who takes part in—and ultimately wins—the competition, they share no similarities beyond this level of abstraction. As Judge Learned Hand once observed, “[u]pon any work ... a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out.” *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir.1930) (emphasis added) (“[T]here is a point in this series of abstractions where they are no longer protected, since otherwise the [author] could prevent the use of his ‘ideas,’ to which, apart from their expression, his property is never extended.”). Here, a more discerning description of the works readily underscores their overwhelming differences in plot and sequence.

On the one hand, *Livid Land* tells the story of an adult wizard who, like many other wizards, is given a

happily-accepted opportunity to secure a spot in a coveted retirement community by completing a task assigned to him through a non-adversarial and non-competitive “contest.” The adult wizard is tasked with freeing several female hostages from a highly guarded prison on a remote and virtually inaccessible island, and manages to do so by devising a plan and engaging a team of apprentice wizards, elves, and angels to parachute to the island, uncover the secret password for entry, charm an Italian sailor, plant sleep-inducing chocolate in the clouds to stupefy the population, load the hostages onto a cage, and transport them off the island.

On the other hand, *Goblet of Fire* tells the story of a teenage wizard who is forced to enter into a dangerous three-round tournament against three much more seasoned and well-prepared competitors to compete for the one first place prize, and who eventually wins the competition only to discover that it is a trap intended to lead to his death. He uses his flying skills in the first task of the Tournament to out-wit the most ferocious fire-breathing dragon faced by any of the four competitors and recover a golden egg; succeeds in the second task only through the assistance of others and procures a magical substance called ‘gillyweed’ that enables him to breathe underwater and retrieve his friends at the bottom of the school lake, where they are temporarily being held hostage for purposes of the Tournament; and navigates a labyrinth filled with magical obstacles to achieve the third-task and tie the competition—only to be delivered right into the hands of a murderous villain, who immediately murders his friend and almost kills the hero. Given these fundamental differences in storyline, there is little—let alone substantial—similarity between the plot and sequence of two works.

In any event, the allegedly infringing plot features are not protectible elements. First, they are too generic to constitute an expression. For example, Allen argues that “[i]n both books, the competition is announced in a castle, and in both cases it is in the “Great Hall” of that castle.” Yet *Livid Land*’s depiction of the announcement and great hall is limited to the following sentences: (1) “The great hall of Napoleon’s Castle revealed a dramatic scene;” and (2) “A voice began to boom from the great hall. ‘We are here today for me to inaugurate the year of the wizards’ contests.”

The cursory invocation of a concept does not give rise to protectible expression—to the contrary, copyright law is intended to foster the unrestricted exchange of ideas. Indeed, *Livid Land* seems itself to have borrowed concepts from the public realm. For example, Allen points out that both Willy and Harry are in the bath when they learn information central to the task at hand; similarly, popular history regarding the Greek scientist Archimedes tells of how he invented a method for determining the volume of an object with an irregular shape while taking a bath. In a similar vein, the concept of a non-adversarial and self-directed ‘competition’ is prolific in popular culture.

Second, Allen attempts to portray similarities by selectively extracting various trivialities from each book, but random similarities scattered throughout the works cannot by themselves support a finding of substantial similarity. For example, Allen notes that both competitions are scored out of one thousand units, are announced in the great hall of a castle, involve the rescue of hostages, and are the subject of bathtime ruminations by the works’ respective protagonists. Such a scattershot approach cannot support a finding of substantial similarity because it fails to address the underlying issue: whether a lay observer would consider the works as a whole substantially similar to one another.

*Third*, many, if not all, of the allegedly infringing features constitute scenes a faire that flow naturally

from a work's theme rather than from an author's creativity. For example, as Scholastic observes, a story about a competition necessarily involves discussion of the central task of the competition, scoring of the competition, a prize of some kind, and a winner of the competition. Similarly, a castle is a stock setting in stories about magical wizard societies. *Lastly*, courts have declined to find substantial similarity in situations where there has been far greater overlap in plot elements.

## 5. Pace

*Goblet of Fire* is a fast-moving book with cliff-hangers in virtually every chapter. In contrast, *Livid Land* is unrushed and lacking a sense of urgency. Moreover, to the extent that Plaintiff's work even contains 'tone' or 'pace'—for example, the excitement, innocence or the simplicity of a moment—these elements are certainly not original, but are common to many pieces of children's literary works.

## 6. Setting

Allen alleges that the settings of both works indicate substantial similarity, because each: (1) portrays magical worlds based in Europe, wizard hospitals that treat mental illness, wizard colleges, and secret wizard communities; (2) refers to apprentices who protested their working conditions; and (3) involves travel using magical versions of real-world transportation or special powder. *Livid Land* merely mentions all of these ideas in passing, however, and does not transform them into protected expression through any creative effort. For example, *Livid Land* includes only a one sentence reference to apprentices who built Willy a new factory to protest their working conditions. In contrast, the working conditions of elves appear as a frequent theme in *Goblet of Fire* as Hermione becomes an impassioned leader of her self-driven elf-liberation movement. Mere commonality in subject-matter cannot establish infringement. Moreover, wizard versions of real-life institutions, places, and practices are scenes a faire relating to the unprotectible theme of a wizard society. As such, there can be no substantial similarity between the settings in the works at issue.

## V. CONCLUSION

For all the reasons discussed above, plaintiff cannot sustain his copyright infringement claim and defendant's motion to dismiss is granted in its entirety.

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## Check Your Understanding – *Allen*

**Question 1.** In *Allen*, why did the court grant the defendant's motion to dismiss the complaint?



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**Question 2.** True or false: Because the works at issue in *Allen* were created primarily for an audience



of children, the court found that plot and character development were the most important factors for purposes of establishing copyright infringement.



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=154#h5p-162>

The following case, decided en banc by the Ninth Circuit in 2020, received quite a bit of popular attention. The owner of the copyright for a song called *Taurus* sued the iconic band Led Zeppelin, alleging that the introductory guitar part of Led Zeppelin’s *Stairway to Heaven* (which is often ranked the top rock song of all time) was illegally copied from *Taurus*.

Some things to consider when reading *Skidmore*:

1. In *Skidmore*, the en banc Ninth Circuit upholds a jury’s decision that *Stairway to Heaven* is not substantially similar to *Taurus* under the “extrinsic” test for substantial similarity, which means Led Zeppelin wins.
2. Note the court’s explanation of the intrinsic and extrinsic tests for substantial similarity.
3. Also take note of the discussion of the history of copyright protection for recorded music. There was no federal copyright for sound recordings prior to 1972, and the court held that the plaintiff’s copyright was limited to the deposit copy submitted for registration with the Copyright Office in the 1960s (a very short piece of sheet music that fails to capture much of the recorded version of *Taurus*). You can listen to recordings of *Taurus* and *Stairway to Heaven* (on YouTube, for example) and hear the similarity for yourself, but the jury was only allowed to compare the deposit copy (which is very different from the recording) with *Stairway to Heaven*. The outcome might have been different if the jury had been charged with comparing the recorded versions of the songs.

### *Skidmore as Tr. for Randy Craig Wolfe Tr. v. Led Zeppelin*

952 F.3d 1051 (9th Cir. 2020, en banc)

McKEOWN, Circuit Judge:

*Stairway to Heaven* has been called the greatest rock song of all time. Yet, hyperbole aside, nearly 40 years after the English rock band Led Zeppelin released its hit recording, the song is not impervious to copyright challenges. The estate of guitarist Randy Wolfe claims that Led Zeppelin and its guitarist Jimmy Page and vocalist Robert Plant copied portions of *Taurus*, a song written by Wolfe and performed by his band Spirit.

This appeal stems from the jury’s verdict in favor of Led Zeppelin and a finding that the two songs are not substantially similar.

The 1909 Copyright Act, which does not protect sound recordings, controls our analysis. The copyright at issue is for the unpublished musical composition of *Taurus*, which was registered in 1967. The unpublished work is defined by the deposit copy, which in the case of *Taurus* consists of only one page of music. We affirm the district court's entry of judgment in favor of Led Zeppelin and related parties.

## BACKGROUND

Randy Wolfe, professionally known as Randy California, wrote the instrumental song *Taurus* in 1966 or 1967. He was a guitarist in the band *Spirit*. *Spirit* signed a recording contract in August 1967 and released its first eponymous album—which included *Taurus*—a few months later. Wolfe also entered into an Exclusive Songwriter's and Composer's Agreement with Hollenbeck Music Co. ("Hollenbeck"). In December 1967, Hollenbeck registered the copyright in the unpublished musical composition of *Taurus*, listing Wolfe as the author. As required for registration of an unpublished work under the 1909 Copyright Act, which was in effect at the time, Hollenbeck transcribed *Taurus* and deposited one page of sheet music (the "*Taurus* deposit copy"), with the United States Copyright Office.

Around the same time, across the Atlantic, another rock band, Led Zeppelin, was formed by Jimmy Page, Robert Plant, John Paul Jones, and John Bonham. Led Zeppelin released its fourth album in late 1971. The untitled album, which became known as "*Led Zeppelin IV*," contained the now iconic song *Stairway to Heaven*. *Stairway to Heaven* was written by Jimmy Page and Robert Plant.

It is undisputed that *Spirit* and Led Zeppelin crossed paths in the late 1960s and the early 1970s. The bands performed at the same venue at least three times between 1968 and 1970. Led Zeppelin also performed a cover of a *Spirit* song, *Fresh Garbage*. But there is no direct evidence that the two bands toured together, or that Led Zeppelin band members heard *Spirit* perform *Taurus*.

Wolfe passed away in 1997. After his death, Wolfe's mother established the Randy Craig Wolfe Trust (the "Trust") and served as the trustee until she passed away. Neither Wolfe nor his mother filed a suit regarding *Stairway to Heaven*. Michael Skidmore became a co-trustee of the Trust in 2006.

Fast forward **forty-three years** from the release of *Stairway to Heaven* to May 2014. Skidmore filed a suit alleging that *Stairway to Heaven* infringed the copyright in *Taurus*, naming as defendants Led Zeppelin, James Patrick Page, Robert Anthony Plant, John Paul Jones, Super Hype Publishing, and the Warner Music Group Corporation as parent of Warner/Chappell Music, Inc. ("Warner/Chappell"), Atlantic Recording Corporation, and Rhino Entertainment Co. (collectively "*Led Zeppelin*"). One may wonder how a suit so long in the making could survive a laches defense. The Supreme Court answered this question in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, which clarified that laches is not a defense where copyright infringement is ongoing. 572 U.S. 663, 668 (2014).

Skidmore alleged direct, contributory, and vicarious copyright infringement. Skidmore's claims are not based on the entire *Taurus* composition. Rather, Skidmore claims that the opening notes of *Stairway to Heaven* are substantially similar to the eight-measure passage at the beginning of the *Taurus* deposit copy:

# TAURUS

by Randy EU 35222  
California



The claimed portion includes five descending notes of a chromatic musical scale. These notes are represented on the piano as a set of adjacent black and white keys, from right to left. The beginning of *Stairway to Heaven* also incorporates a descending chromatic minor chord progression in A minor. However, the composition of *Stairway to Heaven* has a different ascending line that is played concurrently with the descending chromatic line, and a distinct sequence of pitches in the arpeggios, which are not present in *Taurus*.

Led Zeppelin disputed ownership, access, and substantial similarity. Led Zeppelin also alleged affirmative defenses, including independent creation, unclean hands, and laches.

At the close of discovery, Led Zeppelin moved for summary judgment. The district court granted the motion in part and denied it in part. The district court dismissed the claims against defendants John Paul Jones, Super Hype Publishing, and Warner Music Group because they had not performed or distributed *Stairway to Heaven* within the three-year statute of limitations period preceding the filing of the complaint. The district court also granted summary judgment to Led Zeppelin on Skidmore’s “Right of Attribution—Equitable Relief: Falsification of Rock n’ Roll History” claim. Although the claim was “creatively termed” and “inventive” according to the district court, a right of attribution claim under the Copyright Act extends only to visual arts.

The district court ruled [on motion for summary judgment] that under the 1909 Act, the scope of the copyright was circumscribed by the musical composition transcribed in the *Taurus* deposit copy. Thus, only the one-page *Taurus* deposit copy, and not a sound recording, could be used to prove substantial similarity between *Taurus* and *Stairway to Heaven*.

The district court granted Led Zeppelin’s motion in limine to exclude *Taurus* sound recordings and expert testimony based on those recordings. The district court again concluded that the *Taurus* deposit copy, rather than any recordings of Spirit’s performance of *Taurus*, formed the sole benchmark for determining

substantial similarity. The district court found that there were triable issues of fact relating to ownership, access, substantial similarity, and damages.

Against the backdrop of these rulings, the trial lasted five days. Two key issues predominated: access to *Taurus* by Led Zeppelin band members and substantial similarity.

On the access question, Page testified that he owned “a copy of the album that contains ‘*Taurus*,’ ... in [his] collection,” while denying “any knowledge of ‘*Taurus*.’”

The substantial similarity question pitted two expert musicologists against each other. Skidmore’s expert, Dr. Alexander Stewart, analyzed, one by one, five categories of similarities. Dr. Stewart acknowledged that a chromatic scale and arpeggios are common musical elements. But he found *Taurus* and *Stairway to Heaven* to be similar because the descending chromatic scales in the two compositions skip the note E and return to the tonic pitch, A, and the notes in the scale have the same durations. Then he pointed to three two-note sequences—AB, BC, and CF#—that appear in both compositions. In his view, the presence of successive eighth-note rhythms in both compositions also made them similar. Finally, he testified that the two compositions have the same “pitch collection,” explaining that certain notes appear in the same proportions in the beginning sequence of both works.

In sum, Dr. Stewart claimed that five musical elements in combination were copied because these elements make *Taurus* unique and memorable, and these elements also appear in *Stairway to Heaven*. Skidmore’s closing argument reinforced these points. Neither Dr. Stewart nor Skidmore’s counsel argued that the categories of similarities were selected and arranged to form protectable expression in the design, pattern, or synthesis of the copyrighted work. Nor did they make a case that a particular selection and arrangement of musical elements were copied in *Stairway to Heaven*.

Led Zeppelin’s expert, Dr. Lawrence Ferrara, testified that the two compositions are completely distinct. To highlight the marked differences in the compositions, he presented the following exhibit, which juxtaposed the claimed portion of *Taurus* against *Stairway to Heaven*:

## MUSICAL EXAMPLE 1

### Four-measure chord progressions

Top two lines = Section A in "Taurus" with note values halved

Lower two lines = Measures 1-4 in "Stairway"

The image displays two musical staves, each with a treble and bass clef. The top staff, representing Section A of "Taurus", contains four measures of music with halved note values. Above the staff, the chords are labeled: Am, A7 (G#-), C/G, G#7 (F#7), and F#C. The bottom staff, representing measures 1-4 of "Stairway to Heaven", also contains four measures. Above this staff, the chords are labeled: Am, G#7, C/G, G#7, and G#7. The notation includes various note values, rests, and accidentals, illustrating the similarity in chord progressions between the two songs.

Dr. Ferrara testified that the similarities claimed by Skidmore either involve unprotectable common musical elements or are random. For example, Dr. Ferrara explained that the similarity in the three two-note sequences is not musically significant because in each song the sequences were preceded and followed by different notes to form distinct melodies. He described the purported similarity based on these note sequences as akin to arguing that “crab” and “absent” are similar words because they both have the letter pair “ab.” He also testified that the similarity in the “pitch collection” is not musically meaningful because it is akin to arguing that the presence of the same letters in “senator” and “treason” renders the words similar in meaning.

The jury returned a verdict for Led Zeppelin. In special interrogatories, the jury found that Skidmore owned the copyright to *Taurus* and that Led Zeppelin had access to *Taurus*, but that the two songs were not substantially similar under the extrinsic test.

A panel of our court vacated the amended judgment in part and remanded for a new trial. We granted rehearing en banc.

## ANALYSIS

### I. THE 1909 COPYRIGHT ACT

The world of copyright protection for music changed dramatically during the twentieth century and those changes dictate our analysis here. The baseline issue we address is the scope of Wolfe’s copyright in the unpublished composition *Taurus*, which was registered in 1967, between the passage of the Copyright Act of 1909 (“1909 Act”) and the sweeping copyright reform adopted in the Copyright Act of 1976 (“1976 Act”). We conclude that the 1909 Act controls and that the deposit copy defines the scope of the *Taurus* copyright.

## A. THE HISTORY OF COPYRIGHT PROTECTION FOR MUSICAL COMPOSITIONS AND SOUND RECORDINGS

Although it seems unthinkable today, musical compositions were not explicitly subject to copyright in the United States until **1831**, when Congress added “musical composition” to the list of statutorily protected works. Copyright Act of 1831 (repealed 1909). Thus, the “musical composition,” which was understood to be a printed form of the music, joined the statutory protection afforded to dramatic compositions, maps, charts, engraving, photographs and other works.

Between 1831 and the early 1900s, a number of machines were invented that allowed mechanical reproduction of a musical composition. With the advent of player pianos at the turn of the century, the question arose whether copyright protection extended to the infringement of musical compositions by perforated piano rolls. The Supreme Court held that the copyright statute barred the unauthorized copying of a musical composition “in intelligible notation,” but that it would be “strained and artificial” to consider musical sounds coming from an instrument to be a copy. *White-Smith Music Publ’g Co. v. Apollo Co.*, 209 U.S. 1, 17–18 (1908). Justice Holmes commented in his concurrence that “[o]n principle anything that mechanically reproduces that collocation of sounds ought to be held a copy, or, if the statute is too narrow, ought to be made so by a further act.”

Congress stepped in to remedy the situation, perhaps heeding Justice Holmes’s call. The Copyright Act of 1909—landmark legislation that significantly revised copyright law—categorized mechanically-reproduced musical compositions, such as those played on player pianos and phonograph players, as “copies” of the original composition.

The statute provided copyright protection against “any arrangement or setting of [the musical composition] or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced.” Skidmore seizes on this language to argue that the new legislation extended copyright protection beyond sheet music. The text does not support this reading. Although the 1909 Act extended copyright protection against infringement beyond the mere reproduction of the sheet music, Congress did not provide that copyrighted works could be anything other than sheet music or, for an unpublished work, the musical composition transcribed in the deposit copy.

Requiring more formalities than the current copyright act, the procedures for obtaining copyright protection under the 1909 Act were very specific. Registration for an unpublished musical work could be obtained “by the deposit, with claim of copyright, of one complete copy of such work” with the Copyright Office. In contrast, protection for a published work could be secured by affixing a copyright notice “to each copy thereof published or offered for sale in the United States by authority of the copyright proprietor.” Either way, distributing sound recordings did not constitute publication under the 1909 Act, so musical compositions were only published if the sheet music also was published. Significantly, the Copyright Office did not even accept sound recordings as deposit copies. Indeed, “in order to claim copyright in a musical work under the 1909 Act, the work had to be reduced to sheet music or other manuscript form.” 1 M. Nimmer & D. Nimmer, *Nimmer on Copyright* (“Nimmer”) § 2.05[A] (2017).

Sound recordings did not become subject to copyright protection until 1972, and then only for the sound

recordings fixed on or after February 15, 1972. 17 U.S.C. § 301(c). The amendment did nothing to change the requirements of the 1909 Act or the status of the *Taurus* copyright.

The copyright requirements were changed dramatically by the 1976 Copyright Act, which provided that public distribution of a sound recording qualified as publication of a musical composition. In other words, composers could submit a recording rather than sheet music as the deposit copy for a musical composition. The catch, for this case, is that publication before the 1978 effective date is not covered by the new statute.

## **B. THE TAURUS DEPOSIT COPY**

The 1967 deposit copy of *Taurus* is a single page of sheet music. Skidmore suggests that the copyright extends beyond the sheet music; that is, the deposit copy is somehow archival in nature and more of a reference point than a definitive filing. This approach ignores the text of the statute and the purpose of the deposit.

We have outlined copyright protection under the 1909 Act as follows: An unpublished work was protected by state common law copyright from the moment of its creation until it was either published or until it received protection under the federal copyright scheme. The referenced federal copyright protection for unpublished works is found in the text of the statute: “copyright may also be had of the works of an author of which copies are not reproduced for sale, by the deposit, with claim of copyright, of one complete copy of such work if it be a ... musical composition ....” 1909 Act § 11.

The text is clear—for unpublished works, the author must deposit one complete copy of such work. The purpose of the deposit is to make a record of the claimed copyright, provide notice to third parties, and prevent confusion about the scope of the copyright. Even before the 1909 Act, the Supreme Court stated that one objective of the deposit was to permit inspection by other authors “to ascertain precisely what was the subject of copyright.” *Merrell v. Tice*, 104 U.S. 557, 56 (1881). The inescapable conclusion is that the scope of the copyright is limited by the deposit copy.

Although Skidmore offers a host of reasons why adherence to the statute complicates proof in copyright cases, these arguments cannot overcome the statutory requirements. For example, Skidmore claims that it is impractical to compare a sound recording of the infringing work to a deposit copy of the infringed work, even though that is precisely what happened here, and experts for both sides were confident in their analysis. Indeed, during the trial, Skidmore’s master guitarist, Kevin Hanson, performed the *Taurus* deposit copy as he interpreted it.

Skidmore also complains that restricting protection to the deposit copy disadvantages musicians who do not read music because it can be time consuming and expensive to make an accurate deposit copy. Apparently, that was not a problem here, as Wolfe’s work was transcribed for the sheet music deposit. Digital transcription and other technological advances undercut this argument, not to mention that for decades now, sound recordings have been accepted as the deposit copy. Finally, Skidmore offers conjecture about what might happen if a deposit copy were lost or destroyed. We need not play this “what if” guessing game because the statute is clear and unambiguous.

The district court correctly concluded that under the 1909 Act, which controls the copyright registration in this case, the *Taurus* deposit copy circumscribes the scope of the copyright. Because the deposit copy

defines the four corners of the *Taurus* copyright, it was not error for the district court to decline Skidmore's request to play the sound recordings of the *Taurus* performance that contain further embellishments or to admit the recordings on the issue of substantial similarity.

## II. ELEMENTS OF COPYRIGHT INFRINGEMENT

Proof of copyright infringement requires Skidmore to show: (1) that he owns a valid copyright in *Taurus*; and (2) that Led Zeppelin copied protected aspects of the work. Skidmore's ownership of a valid copyright in *Taurus* was not challenged on appeal.

The second prong of the infringement analysis contains two separate components: "copying" and "unlawful appropriation." Although these requirements are too often referred to in shorthand lingo as the need to prove "substantial similarity," they are distinct concepts.

Because independent creation is a complete defense to copyright infringement, a plaintiff must prove that a defendant copied the work. In the absence of direct evidence of copying, which is the case here, the plaintiff can attempt to prove it circumstantially by showing that the defendant had access to the plaintiff's work and that the two works share similarities probative of copying. This type of probative or striking similarity shows that the similarities between the two works are due to copying rather than coincidence, independent creation, or prior common source. A finding of such similarity may be based on the overlap of unprotectable as well as protectable elements.

On the other hand, the hallmark of "unlawful appropriation" is that the works share substantial similarities. In our circuit, we use a two-part test to determine whether the defendant's work is substantially similar to the plaintiff's copyrighted work. The first part, the extrinsic test, compares the objective similarities of specific expressive elements in the two works. Crucially, because only substantial similarity in protectable expression may constitute actionable copying that results in infringement liability, it is essential to distinguish between the protected and unprotected material in a plaintiff's work. The second part, the intrinsic test, tests for similarity of expression from the standpoint of the ordinary reasonable observer, with no expert assistance. Both tests must be satisfied for the works to be deemed substantially similar.

## III. EVIDENTIARY CHALLENGE—THE COPYING PRONG OF INFRINGEMENT

At trial, one of Skidmore's key arguments was that Led Zeppelin members heard either performances or recordings of *Taurus* before creating *Stairway to Heaven*, and thus had access for purposes of copying the music. To prove that point, Skidmore wanted to play several recordings of *Taurus* during the testimony of Jimmy Page, claiming that observing Page listening to the recordings would have enabled the jury to evaluate his demeanor with respect to access. Skidmore's counsel explained that the recordings could be offered to prove access, even if the court excluded them for proving substantial similarity. The district court determined that although the sound recordings were relevant to prove access, Skidmore's approach would be "too prejudicial for the jury" because it risked confusing access with substantial similarity. Hence the court excluded the recordings under Federal Rule of Evidence 403. The court instead permitted Skidmore's counsel to play the recordings for Page outside the presence of the jury and then question him about the recordings in front of the jury.

Skidmore's position is a curious one and defies common sense. There would have been very little, if any,



probative value in watching Page's reaction to listening to *Taurus* at the trial in 2016 to prove access to the song half a century ago. To prevent the jury from making an erroneous comparison for determining substantial similarity, the court properly excluded the sound recording, which contains performance elements that are not protected by the *Taurus* deposit copy. Indeed, the court's exclusion ruling displayed a clear understanding of the distinct components of copying and unlawful appropriation, letting the evidence in "as far as access," but "not ... to compare the performance" to *Stairway to Heaven*.

In any event, the evidentiary question is moot. It turns out Skidmore's examination of Page on access proved fruitful. When Page testified, he candidly admitted to owning "a copy of the album that contains '*Taurus*,' ... in [his] collection," though still denying "any knowledge of '*Taurus*.'" The jury found that both Page and Plant "had access to the musical composition *Taurus* before *Stairway to Heaven* was created." Once the jury made that finding, the remaining questions on the jury verdict form related to substantial similarity of the works.

In answer to the question of whether "original elements of the musical composition *Taurus* are extrinsically similar to *Stairway to Heaven*," the jury said no. Because the extrinsic test was not satisfied, the jury did not reach the intrinsic test. Although these findings ended the jury's copyright analysis, Skidmore also challenges various trial rulings.

## **B. THE ORIGINALITY INSTRUCTIONS**

Although copyright protects only original expression, it is not difficult to meet the famously low bar for originality. *Feist*, 499 U.S. at 345.

Even in the face of this low threshold, copyright *does* require at least a modicum of creativity and does not protect every aspect of a work; ideas, concepts, and common elements are excluded. *See* 17 U.S.C. § 102(b); *Feist*, 499 U.S. at 345–46. Nor does copyright extend to "common or trite" musical elements, or "commonplace elements that are firmly rooted in the genre's tradition." These building blocks belong in the public domain and cannot be exclusively appropriated by any particular author. Authors borrow from predecessors' works to create new ones, so giving exclusive rights to the first author who incorporated an idea, concept, or common element would frustrate the purpose of the copyright law and curtail the creation of new works. With these background principles in mind, we review the district court's instructions on originality, Nos. 16 and 20.

Jury Instruction No. 16 explained "what a copyright is, what it protects, and what it does not protect."<sup>10</sup> Relevant to this appeal, the instruction provided that "[c]opyright only protects the author's original expression in a work." This statement comes straight from the Supreme Court's opinion in *Feist*. The instruction went on to state that copyright "does not protect ideas, themes or common musical elements, such as descending chromatic scales, arpeggios or short sequences of three notes." Skidmore objects to the list of unprotectable elements. In particular, he argues that characterizing the "descending chromatic scales, arpeggios or short sequence of three notes" as examples of "common musical elements" was prejudicial to him.

To put this instruction in context, it is useful to outline the essence of the "common musical elements" or building blocks. The chromatic scale is one of two principal scales in Western music. It consists of twelve pitches separated by a half-step. On a piano, this means playing the white and black keys in order from left to right. Three or more notes or pitches sounded simultaneously are called chords, and an arpeggio,

sometimes called a broken chord, is “[a] chord whose pitches are sounded successively, ... rather than simultaneously.”

To conduct a copyright infringement analysis, the factfinders ask “whether ‘the protectible elements, standing alone, are substantially similar’ ” and “disregard the non-protectible elements.” Jury Instruction No. 16 correctly listed non-protectable musical building blocks that no individual may own, and did not, as Skidmore claims, exclude the particular use of musical elements in an original expression.

For example, despite Skidmore’s challenge to the characterization of descending chromatic scales as unprotectable, even his own expert musicologist, Dr. Stewart, agreed musical concepts like the minor chromatic line and the associated chords have been “used in music for quite a long time” as “building blocks.” This candid acknowledgement was echoed by Led Zeppelin’s expert. Dr. Ferrara described the “chromatic scale, descending or ascending,” as “a musical building block. This is something that no one can possibly own.” The commonality of descending scales and arpeggios has been reinforced by the *Copyright Office Compendium* § 802.5(A) (3d ed. 2017). Emphasizing the importance of original creation, the Copyright Office notes that “a musical work consisting entirely of common property material would not constitute original authorship.” Just as we do not give an author “a monopoly over the note of B-flat,” descending chromatic scales and arpeggios cannot be copyrighted by any particular composer.

We have never extended copyright protection to just a few notes. Instead we have held that “a four-note sequence common in the music field” is not the copyrightable expression in a song. *Granite Music Corp. v. United Artists Corp.*, 532 F.2d 718, 721 (9th Cir. 1976). In the context of a sound recording copyright, we have also concluded that taking six seconds of the plaintiff’s four-and-a-half-minute sound recording—spanning three notes—is *de minimis*, inactionable copying. See *Newton*, 388 F.3d at 1195–96. One of our colleagues also expressed skepticism that three notes used in a song can be copyrightable by observing that of the “only 123 or 1,728 unique combinations of three notes,” not many would be useful in a musical composition. See *Williams*, 895 F.3d at 1144 n.6 (Nguyen, J., dissenting). The Copyright Office is in accord, classifying a “musical phrase consisting of three notes” as *de minimis* and thus not meeting the “quantum of creativity” required under *Feist*. *Copyright Office Compendium*, § 313.4(B) (3d ed. 2017). At the same time, we have not foreclosed the possibility that “seven notes” could constitute an original expression. *Swirsky*, 376 F.3d at 852. To the contrary, our sister circuit observed decades ago that “the seven notes available do not admit of so many agreeable permutations that we need be amazed at the re-appearance of old themes.” *Arnstein v. Edward B. Marks Music Corp.*, 82 F.2d 275, 277 (2d Cir. 1936).

In view of our precedent and accepted copyright principles, the district court did not commit a reversible error by instructing the jury that a limited set of a useful three-note sequence and other common musical elements were not protectable.

The district court also instructed the jury on copyright originality in Jury Instruction No. 20, which states:

An original work may include or incorporate elements taken from prior works or works from the public domain. However, any elements from prior works or the public domain are not considered original parts and not protected by copyright. Instead, the original part of the plaintiff’s work is limited to the part created:

1. independently by the work’s author, that is, the author did not copy it from another work; and
2. by use of at least some minimal creativity.

Despite Skidmore’s claim that the following language has no support in the law and was prejudicial—“any element from prior works or the public domain are not considered original parts and not protected by copyright”—this is black-letter law. See 17 U.S.C. §§ 102(b), 103. Reading this sentence with the preceding one—an “original work may include or incorporate elements taken from prior works or works from the public domain”—we conclude that Jury Instruction No. 20 correctly instructed the jury that original expression can be the result of borrowing from previous works or the public domain.

Skidmore appears to want less than the law demands. In his closing and on appeal, he argued that a work is original as long as it was independently created. Not quite. Though not demanding, originality requires at least “minimal” or “slight” creativity—a “modicum” of “creative spark”—in addition to independent creation. *Feist*, 499 U.S. at 345–46, 362. Jury Instruction No. 20 correctly articulated both requirements for originality, that the work be created “independently by the work’s author,” and contain “at least some minimal creativity.” Reviewing the jury instructions as a whole, we conclude that the originality instructions were sound and were not prejudicial to Skidmore.

## CONCLUSION

This copyright case was carefully considered by the district court and the jury. Because the 1909 Copyright Act did not offer protection for sound recordings, Skidmore’s one-page deposit copy defined the scope of the copyright at issue. In line with this holding, the district court did not err in limiting the substantial similarity analysis to the deposit copy or the scope of the testimony on access to *Taurus*. As it turns out, Skidmore’s complaint on access is moot because the jury found that Led Zeppelin had access to the song. We affirm the district court’s challenged jury instructions. Finally, we affirm the district court with respect to the remaining trial issues and its denial of attorneys’ fees and costs to Warner/Chappell.

The trial and appeal process has been a long climb up the *Stairway to Heaven*. The parties and their counsel have acquitted themselves well in presenting complicated questions of copyright law. We affirm the judgment that Led Zeppelin’s *Stairway to Heaven* did not infringe Spirit’s *Taurus*.

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## Check Your Understanding – *Skidmore*

**Question 1.** What is the purpose of the 1909 Copyright Act’s deposit requirement for copyright in unpublished works?





An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-163>

**Question 2.** According to the Ninth Circuit, what is the difference between “probative or striking similarity” and “substantial similarity.”



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-164>

**Question 3.** Why did the district court deny Skidmore’s request to play recordings of *Taurus* during the testimony of Jimmy Page, in order for the jury to observe Page listening to the recordings and thereby evaluate his demeanor with respect to access?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-165>

### Socratic Script

Would the outcome in *Skidmore* been different if all of the operative facts occurred after the 1976 Copyright Act went into effect?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-166>

Some things to consider when reading VMG Salsoul:

1. The issue of de minimis copying.
2. The Sixth Circuit’s holding in another case, *Bridgeport*, the reason that the Ninth Circuit found that holding “unpersuasive” in this case, and the policy implications of the divergent approaches taken by the Sixth and Ninth Circuits.
3. The two distinct copyrights on the composition and sound recording of *Love Break*.
4. The basis for the court’s assertion that “if a band played and recorded its own version of *Love Break* in a way that sounded very similar to the copyrighted recording of *Love Break*, then there would be no

infringement [of the sound recording copyright] so long as there was no actual copying of the recorded *Love Break*.”

5. The Ninth Circuit’s acknowledgement that it has created a “circuit split.

## *VMG Salsoul, LLC v. Ciccone*

824 F.3d 871 (9th Cir. 2016)

GRABER, Circuit Judge:

In the early 1990s, pop star Madonna Louise Ciccone, commonly known by her first name only, released the song *Vogue* to great commercial success. In this copyright infringement action, Plaintiff VMG Salsoul, LLC, alleges that the producer of *Vogue*, Shep Pettibone, copied a 0.23-second segment of horns from an earlier song, known as *Love Break*, and used a modified version of that snippet when recording *Vogue*. Plaintiff asserts that Defendants Madonna, Pettibone, and others thereby violated Plaintiff’s copyrights to *Love Break*. The district court applied the longstanding legal rule that “de minimis” copying does not constitute infringement and held that, even if Plaintiff proved its allegations of actual copying, the claim failed because the copying (if it occurred) was trivial.

Reviewing the summary judgment de novo, we agree with the district court that, as a matter of law, a general audience would not recognize the brief snippet in *Vogue* as originating from *Love Break*. We also reject Plaintiff’s argument that Congress eliminated the “de minimis” exception to claims alleging infringement of a sound recording. We recognize that the Sixth Circuit held to the contrary in *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005), but—like the leading copyright treatise and several district courts—we find Bridgeport’s reasoning unpersuasive. We hold that the “de minimis” exception applies to infringement actions concerning copyrighted sound recordings, just as it applies to all other copyright infringement actions. Accordingly, we affirm the summary judgment in favor of Defendants.

### **FACTUAL AND PROCEDURAL HISTORY**

In the early 1980s, Pettibone recorded the song *Ooh I Love It (Love Break)*, which we refer to as *Love Break*. In 1990, Madonna and Pettibone recorded the song *Vogue*, which would become a mega-hit dance song after its release on Madonna’s albums. Plaintiff alleges that, when recording *Vogue*, Pettibone “sampled” certain sounds from the recording of *Love Break* and added those sounds to *Vogue*. “Sampling” in this context means the actual physical copying of sounds from an existing recording for use in a new recording, even if accomplished with slight modifications such as changes to pitch or tempo. See *Newton v. Diamond*, 388 F.3d 1189, 1192 (9th Cir. 2004) (discussing the term “sampling”).

Plaintiff asserts a sole theory of infringement: When creating two commercial versions of *Vogue*, Pettibone sampled a “horn hit” from *Love Break*, violating Plaintiff’s copyrights to both the composition and the sound recording of *Love Break*.

The horn hit appears in *Love Break* in two forms. A “single” horn hit in *Love Break* consists of a quarter-note chord comprised of four notes—E-flat, A, D, and F—in the key of B-flat. The single horn hit lasts for 0.23

seconds. A “double” horn hit in *Love Break* consists of an eighth-note chord of those same notes, followed immediately by a quarter-note chord of the same notes. Plaintiff’s expert identified the instruments as “predominantly” trombones and trumpets.

The alleged source of the sampling is the “instrumental” version of *Love Break*, which lasts 7 minutes and 46 seconds. The single horn hit occurs 27 times, and the double horn hit occurs 23 times. The horn hits occur at intervals of approximately 2 to 4 seconds in two different segments: between 3:11 and 4:38, and from 7:01 to the end, at 7:46. The general pattern is single-double repeated, double-single repeated, single-single-double repeated, and double-single repeated. Many other instruments are playing at the same time as the horns.

The horn hit in *Vogue* appears in the same two forms as in *Love Break*: single and double. A “single” horn hit in *Vogue* consists of a quarter-note chord comprised of four notes—E, A-sharp, D-sharp, and F-sharp—in the key of B-natural.<sup>2</sup> A double horn hit in *Vogue* consists of an eighth-note chord of those same notes, followed immediately by a quarter-note chord of the same notes.

The two commercial versions of *Vogue* that Plaintiff challenges are known as the “radio edit” version and the “compilation” version. The radio edit version of *Vogue* lasts 4 minutes and 53 seconds. The single horn hit occurs once, the double horn hit occurs three times, and a “breakdown” version of the horn hit occurs once. They occur at 0:56, 1:02, 3:41, 4:05, and 4:18. The pattern is single-double-double-double-breakdown. As with *Love Break*, many other instruments are playing at the same time as the horns.

In a written order, the district court granted summary judgment to Defendants on two alternative grounds. First, neither the composition nor the sound recording of the horn hit was “original” for purposes of copyright law. Second, the court ruled that, even if the horn hit was original, any sampling of the horn hit was “de minimis or trivial.” In a separate order, the district court awarded attorney’s fees to Defendants under 17 U.S.C. § 505.

## DISCUSSION

Plaintiff has submitted evidence of actual copying. In particular, Tony Shimkin has sworn that he, as Pettibone’s personal assistant, helped with the creation of *Vogue* and that, in Shimkin’s presence, Pettibone directed an engineer to introduce sounds from *Love Break* into the recording of *Vogue*. Additionally, Plaintiff submitted reports from music experts who concluded that the horn hits in *Vogue* were sampled from *Love Break*. Defendants do not concede that sampling occurred, and they have introduced much evidence to the contrary.<sup>3</sup> But for purposes of summary judgment, Plaintiff has introduced sufficient evidence (including direct evidence) to create a genuine issue of material fact as to whether copying in fact occurred. Taking the facts in the light most favorable to Plaintiff, Plaintiff has demonstrated actual copying. Accordingly, our analysis proceeds to the next step.

Our leading authority on actual copying is *Newton*, 388 F.3d 1189. We explained in *Newton* that proof of actual copying is insufficient to establish copyright infringement:

For an unauthorized use of a copyrighted work to be actionable, the use must be significant enough to constitute infringement. This means that even where the fact of copying is conceded, no legal consequences will follow from that fact unless the copying is substantial. The principle that trivial copying does not

constitute actionable infringement has long been a part of copyright law. In addition to copying, it must be shown that this has been done to an unfair extent. This principle reflects the legal maxim, *de minimis non curat lex* (often rendered as, “the law does not concern itself with trifles”).

In other words, to establish its infringement claim, Plaintiff must show that the copying was greater than *de minimis*.

Plaintiff's claim encompasses two distinct alleged infringements: infringement of the copyright to the composition of *Love Break* and infringement of the copyright to the sound recording of *Love Break*. Compare 17 U.S.C. § 102(a)(2) (protecting “musical works”) with *id.* § 102(a)(7) (protecting “sound recordings”). We squarely held in *Newton*, 388 F.3d at 1193, that the *de minimis* exception applies to claims of infringement of a copyrighted composition. But it is an open question in this circuit whether the exception applies to claims of infringement of a copyrighted sound recording.

### **A. Application of the De Minimis Exception**

A “use is *de minimis* only if the average audience would not recognize the appropriation.” *Newton*, 388 F.3d at 1193. Accordingly, we must determine whether a reasonable juror could conclude that the average audience would recognize the appropriation. We will consider the composition and the sound recording copyrights in turn.

#### **1. Alleged Infringement of the Composition Copyright**

When considering an infringement claim of a copyrighted musical composition, what matters is not how the musicians actually played the notes but, rather, a generic rendition of the composition. When considering infringement of the composition copyright, one must remove from consideration all the elements unique to the musician's performance. That is, we must compare the written compositions of the two pieces.

Viewing the evidence in the light most favorable to Plaintiff, Defendants copied two distinct passages in the horn part of the score for *Love Break*. First, Defendants copied the quarter-note single horn hit. But no additional part of the score concerning the single horn hit is the same, because the single horn hit appears at a different place in the measure. In *Love Break*, the notes for the measure are: half-note rest, quarter-note rest, single horn hit. In *Vogue*, however, the notes for the measure are: half-note rest, eighth-note rest, single horn hit, eighth-note rest. Second, Defendants copied a full measure that contains the double horn hit. In both songs, the notes for the measure are: half-note rest, eighth-note rest, eighth-note horn hit, quarter-note horn hit. In sum, Defendants copied, at most, a quarter-note single horn hit and a full measure containing rests and a double horn hit.

After listening to the recordings, we conclude that a reasonable jury could *not* conclude that an average audience would recognize the appropriation of the composition. Our decision in *Newton* is instructive. That case involved a copyrighted composition of “a piece for flute and voice.” The defendants used a six-second sample that “consist[ed] of three notes, C—D flat—C, sung over a background C note played on the flute.” The composition also “require[d] overblowing the background C note that is played on the flute.” The defendants repeated a six-second sample “throughout [the song], so that it appears over forty times in various renditions of the song.” After listening to the recordings, we affirmed the grant of summary judgment because “an average audience would not discern [the composer's] hand as a composer.”

The snippets of the composition that were (as we must assume) taken here are much smaller than the sample at issue in *Newton*. The copied elements from the *Love Break* composition are very short, much shorter than the six-second sample in *Newton*. The single horn hit lasts less than a quarter-second, and the double horn hit lasts—even counting the rests at the beginning of the measure—less than a second. Similarly, the horn hits appear only five or six times in *Vogue*, rather than the dozens of times that the sampled material in *Newton* occurred in the challenged song in that case. Moreover, unlike in *Newton*, in which the challenged song copied the *entire composition* of the original work for the given temporal segment, the sampling at issue here involves only one instrument group out of many. As noted above, listening to the audio recordings confirms what the foregoing analysis of the composition strongly suggests: A reasonable jury could not conclude that an average audience would recognize an appropriation of the *Love Break* composition.

## 2. Alleged Infringement of the Sound Recording Copyright

When considering a claimed infringement of a copyrighted sound recording, what matters is how the musicians *played* the notes, that is, how their rendition distinguishes the recording from a generic rendition of the same composition. Viewing the evidence in the light most favorable to Plaintiff, by accepting its experts' reports, Pettibone sampled one single horn hit, which occurred at 3:35 in *Love Break*. Pettibone then used that sampled single horn hit to create the double horn hit used in *Vogue*.

The horn hit itself was not copied precisely. According to Plaintiff's expert, the chord "was modified by transposing it upward, cleaning up the attack slightly in order to make it punchier [by truncating the horn hit] and overlaying it with other sounds and effects. One such effect mimicked the reverse cymbal crash.... The reverb/delay 'tail' ... was prolonged and heightened." Moreover, as with the composition, the horn hits are not isolated sounds. Many other instruments are playing at the same time in both *Love Break* and *Vogue*.

In sum, viewing the evidence in the light most favorable to Plaintiff, Pettibone copied one quarter-note of a four-note chord, lasting 0.23 seconds; he isolated the horns by filtering out the other instruments playing at the same time; he transposed it to a different key; he truncated it; and he added effects and other sounds to the chord itself. For the double horn hit, he used the same process, except that he duplicated the single horn hit and shortened one of the duplicates to create the eighth-note chord from the quarter-note chord. Finally, he overlaid the resulting horn hits with sounds from many other instruments to create the song *Vogue*.

After listening to the audio recordings submitted by the parties, we conclude that a reasonable juror could not conclude that an average audience would recognize the appropriation of the horn hit. That common-sense conclusion is borne out by dry analysis. The horn hit is very short—less than a second. The horn hit occurs only a few times in *Vogue*. Without careful attention, the horn hits are easy to miss. Moreover, the horn hits in *Vogue* do not sound identical to the horn hits from *Love Break*. As noted above, assuming that the sampling occurred, Pettibone truncated the horn hit, transposed it to a different key, and added other sounds and effects to the horn hit itself. The horn hit *then* was added to *Vogue* along with many other instrument tracks. Even if one grants the dubious proposition that a listener recognized some similarities between the horn hits in the two songs, it is hard to imagine that he or she would conclude that sampling had occurred.



A quirk in the procedural history of this case is illuminating on this point. Plaintiff's primary expert originally *misidentified* the source of the sampled double horn hit. In his original report, the expert concluded that both a single horn hit *and a double horn hit* were sampled from *Love Break*. The parties later discovered the original tracks to *Vogue* and were able to listen to the horn hits without interference from the many other instruments. After listening to those tracks, the expert decided that he had erred in opining that a double horn hit was sampled. He concluded instead that only a single horn hit was sampled, which was used to create the double horn hit in *Vogue*. In other words, a highly qualified and trained musician listened to the recordings with the express aim of discerning which parts of the song had been copied, and he could not do so accurately. An average audience would not do a better job.

In sum, the district court correctly held that summary judgment to Defendants was appropriate on the issue of de minimis copying.

### **B. The De Minimis Exception and Sound Recordings**

Plaintiff argues, in the alternative, that even if the copying here is trivial, that fact is irrelevant because the de minimis exception does not apply to infringements of copyrighted sound recordings. Plaintiff urges us to follow the Sixth Circuit's decision in *Bridgeport Music, Inc. v. Dimension Films*, 410 F.3d 792 (6th Cir. 2005), which adopted a bright-line rule: For copyrighted sound recordings, any unauthorized copying—no matter how trivial—constitutes infringement.

The rule that infringement occurs only when a substantial portion is copied is firmly established in the law. The leading copyright treatise traces the rule to the mid-1800s. 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.03[A][2][a]. The reason for the rule is that the plaintiff's legally protected interest is the potential financial return from his compositions which derive from the lay public's approbation of his efforts. If the public does not recognize the appropriation, then the copier has not benefitted from the original artist's expressive content. Accordingly, there is no infringement.

Other than *Bridgeport* and the district courts following that decision, we are aware of no case that has held that the de minimis doctrine does not apply in a copyright infringement case. Instead, courts consistently have applied the rule in *all* cases alleging copyright infringement.

*Plaintiff nevertheless argues that Congress intended to create a special rule for copyrighted sound recordings, eliminating the de minimis exception.* We begin our analysis with the statutory text.

Title 17 U.S.C. § 102, titled "Subject matter of copyright: In general," states, in relevant part:

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

- (1) literary works;
- (2) musical works, including any accompanying words;
- (3) dramatic works, including any accompanying music;

- (4) pantomimes and choreographic works;
- (5) pictorial, graphic, and sculptural works;
- (6) motion pictures and other audiovisual works;
- (7) *sound recordings*; and
- (8) architectural works.

(Emphasis added.) That provision treats sound recordings identically to all other types of protected works; nothing in the text suggests differential treatment, for any purpose, of sound recordings compared to, say, literary works. Similarly, nothing in the neutrally worded statutory definition of “sound recordings” suggests that Congress intended to eliminate the de minimis exception. See *id.* § 101 (“‘Sound recordings’ are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.”).

Title 17 U.S.C. § 106, titled “Exclusive rights in copyrighted works,” states:

Subject to sections 107 through 122, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

Again, nothing in that provision suggests differential treatment of de minimis copying of sound recordings compared to, say, sculptures. Although subsection (6) deals exclusively with sound recordings, that subsection concerns public performances; nothing in its text bears on de minimis copying.

Instead, Plaintiff’s statutory argument hinges on the third sentence of 17 U.S.C. § 114(b), which states:

The exclusive rights of the owner of copyright in a sound recording under clauses (1) and (2) of section 106 *do not extend to the making or duplication of another sound recording that consists entirely*

*of an independent fixation of other sounds*, even though such sounds imitate or simulate those in the copyrighted sound recording.

Like all the other sentences in § 114(b), the third sentence imposes an *express limitation* on the rights of a copyright holder: “The exclusive rights of the owner of a copyright in a sound recording ... *do not extend* to the making or duplication of another sound recording [with certain qualities].”

A straightforward reading of the third sentence in § 114(b) reveals Congress’ intended limitation on the rights of a sound recording copyright holder: A new recording that mimics the copyrighted recording is not an infringement, even if the mimicking is very well done, so long as there was no actual copying. That is, if a band played and recorded its own version of *Love Break* in a way that sounded very similar to the copyrighted recording of *Love Break*, then there would be no infringement so long as there was no actual copying of the recorded *Love Break*. But the quoted passage does not speak to the question that we face: whether Congress intended to eliminate the longstanding *de minimis* exception for sound recordings in all circumstances even where, as here, the new sound recording as a whole sounds nothing like the original.

Even if there were some ambiguity as to congressional intent with respect to § 114(b), the **legislative history** clearly confirms our analysis on each of the above points. Congress intended § 114 to limit, not to expand, the rights of copyright holders.

With respect to § 114(b) specifically, a House Report stated:

Subsection (b) of section 114 makes clear that statutory protection for sound recordings extends only to the particular sounds of which the recording consists, and would not prevent a separate recording of another performance in which those sounds are imitated. Thus, infringement takes place whenever all or any substantial portion of the actual sounds that go to make up a copyrighted sound recording are reproduced in phonorecords by repressing, transcribing, recapturing off the air, or any other method, or by reproducing them in the soundtrack or audio portion of a motion picture or other audiovisual work. Mere imitation of a recorded performance would not constitute a copyright infringement even where one performer deliberately sets out to simulate another’s performance as exactly as possible.

That passage strongly supports the natural reading of § 114(b), discussed above. Congress intended to make clear that imitation of a recorded performance cannot be infringement so long as no actual copying is done. There is no indication that Congress intended, through § 114(b), to expand the rights of a copyright holder to a sound recording.

Perhaps more importantly, the quoted passage articulates the principle that “infringement takes place whenever all or *any substantial portion* of the actual sounds ... are reproduced.” That is, when enacting this specific statutory provision, Congress clearly understood that the *de minimis* exception applies to copyrighted sound recordings, just as it applies to all other copyrighted works. In sum, the statutory text, confirmed by the legislative history, reveals that Congress intended to maintain the *de minimis* exception for copyrighted sound recordings.

In coming to a different conclusion, the Sixth Circuit reasoned as follows:

[T]he rights of sound recording copyright holders under clauses (1) and (2) of section 106 “do not extend to the making or duplication of another sound recording that consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate those in the copyrighted sound recording.” 17 U.S.C. § 114(b) (emphasis added). The significance of this provision is amplified by the fact that the Copyright Act of 1976 added the word “entirely” to this language. Compare Sound Recording Act of 1971, Pub. L. 92-140, 85 Stat. 391 (Oct. 15, 1971) (adding subsection (f) to former 17 U.S.C. § 1) (“does not extend to the making or duplication of another sound recording that is an independent fixation of other sounds”). In other words, a sound recording owner has the exclusive right to “sample” his own recording.

We reject that interpretation of § 114(b). *Bridgeport* ignored the statutory structure and § 114(b)’s express *limitation* on the rights of a copyright holder. *Bridgeport* also declined to consider legislative history on the ground that “digital sampling wasn’t being done in 1971.” But the state of technology is irrelevant to interpreting Congress’ intent as to statutory structure. Moreover, as Nimmer points out, *Bridgeport*’s reasoning fails on its own terms because contemporary technology plainly allowed the copying of small portions of a protected sound recording.

Close examination of *Bridgeport*’s interpretive method further exposes its illogic. In effect, *Bridgeport* inferred from the fact that “exclusive rights ... *do not extend* to the making or duplication of another sound recording that *consists entirely* of an independent fixation of other sounds,” 17 U.S.C. § 114(b) (emphases added), the conclusion that exclusive rights *do extend* to the making of another sound recording that *does not consist* entirely of an independent fixation of other sounds. As pointed out by Nimmer, *Bridgeport*’s interpretive method “rests on a logical fallacy.” A statement that rights do not extend to a particular circumstance does not automatically mean that the rights extend to all other circumstances. In logical terms, it is a fallacy to infer the inverse of a conditional from the conditional. *E.g.*, Joseph G. Brennan, *A Handbook of Logic* 79–80 (2d ed. 1961).

For example, take as a given the proposition that “if it has rained, then the grass is not dry.” It does not necessarily follow that “if it has not rained, then the grass is dry.” Someone may have watered the lawn, for instance. We cannot infer the second if-then statement from the first. The first if-then statement does not tell us *anything* about the condition of the grass if it has not rained. Accordingly, even though it is true that, “if the recording consists entirely of independent sounds, then the copyright does not extend to it,” that statement does not necessarily mean that “if the recording does not consist entirely of independent sounds, then the copyright does extend to it.”

The Sixth Circuit also looked beyond the statutory text, to the nature of a sound recording, and reasoned:

[E]ven when a small part of a sound recording is sampled, the part taken is something of value. No further proof of that is necessary than the fact that the producer of the record or the artist on the record intentionally sampled because it would (1) save costs, or (2) add something to the new recording, or (3) both. For the sound recording copyright holder, it is not the “song” but the sounds that are fixed in the medium of his choice. When those sounds are sampled they are taken directly from that fixed medium. It is a physical taking rather than an intellectual one.

We disagree for three reasons. First, the possibility of a “physical taking” exists with respect to other

kinds of artistic works as well, such as photographs, as to which the usual *de minimis* rule applies. See, e.g., *Sandoval v. New Line Cinema Corp.*, 147 F.3d 215, 216 (2d Cir. 1998) (affirming summary judgment to the defendant because the defendant’s use of the plaintiff’s photographs in a movie was *de minimis*). A computer program can, for instance, “sample” a piece of one photograph and insert it into another photograph or work of art. We are aware of no copyright case carving out an exception to the *de minimis* requirement in that context, and we can think of no principled reason to differentiate one kind of “physical taking” from another. *Second*, even accepting the premise that sound recordings differ qualitatively from other copyrighted works and therefore *could warrant* a different infringement rule, that theoretical difference does not mean that Congress *actually adopted* a different rule. *Third*, the distinction between a “physical taking” and an “intellectual one,” premised in part on “sav[ing] costs” by not having to hire musicians, does not advance the Sixth Circuit’s view. The Supreme Court has held unequivocally that the Copyright Act protects only the expressive aspects of a copyrighted work, and not the “fruit of the [author’s] labor.” *Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 349 (1991). Indeed, the Supreme Court in *Feist* explained at length why, though that result may seem unfair, protecting only the expressive aspects of a copyrighted work is actually a key part of the design of the copyright laws.

Because we conclude that Congress intended to maintain the “*de minimis*” exception for copyrights to sound recordings, we take the unusual step of creating a circuit split by disagreeing with the Sixth Circuit’s contrary holding in *Bridgeport*. We do so only after careful reflection because, as we noted in *Seven Arts Filmed Entertainment Ltd. v. Content Media Corp.*, 733 F.3d 1251, 1256 (9th Cir. 2013), “the creation of a circuit split would be particularly troublesome in the realm of copyright. Creating inconsistent rules among the circuits would lead to different levels of protection in different areas of the country, even if the same alleged infringement is occurring nationwide.” We acknowledge that our decision has consequences. But the goal of avoiding a circuit split cannot override our independent duty to determine congressional intent. Otherwise, we would have no choice but to blindly follow the rule announced by whichever circuit court decided an issue first, even if we were convinced, as we are here, that our sister circuit erred.

Moreover, other considerations suggest that the “troublesome” consequences ordinarily attendant to the creation of a circuit split are diminished here. In declining to create a circuit split in *Seven Arts*, we noted that “the leading copyright treatise,” *Nimmer*, agreed with the view of our sister circuits. As to the issue before us, by contrast, *Nimmer* devotes many pages to explaining why the Sixth Circuit’s opinion is, in no uncertain terms, wrong.

Additionally, as a practical matter, a deep split among the federal courts *already exists*. Since the Sixth Circuit decided *Bridgeport*, almost every district court not bound by that decision has declined to apply *Bridgeport*’s rule. Although we are the first circuit court to follow a different path than *Bridgeport*’s, we are in well-charted territory.

Plaintiff next argues that, because Congress has not amended the copyright statute in response to *Bridgeport*, we should conclude that *Bridgeport* correctly divined congressional intent. We disagree. The Supreme Court has held that congressional inaction in the face of a judicial statutory interpretation, even with respect to the Supreme Court’s own decisions affecting the entire nation, carries almost no weight.

Finally, Plaintiff advances several reasons why *Bridgeport*’s rule is superior as a matter of policy. For example, the Sixth Circuit opined that its bright-line rule was easy to enforce; that “the market will control the license

price and keep it within bounds”; and that “sampling is never accidental” and is therefore easy to avoid. Those arguments are for a legislature, not a court. They speak to what Congress could decide; they do not inform what Congress actually decided.<sup>4</sup>

We hold that the “de minimis” exception applies to actions alleging infringement of a copyright to sound recordings.

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## Check Your Understanding – *VMG Salsoul*

**Question 1.** In *VMG Salsoul* why did the court find no infringement?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-167>

### Socratic Script

How does the circuit split between the Ninth Circuit and Sixth Circuit affect the outcome in *VMG Salsoul*?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-168>

## B. The Derivative Works Right

Section 101 of the 1976 Act defines a “derivative work” as:

a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship[.]

Section 106 gives copyright owners the exclusive right to make derivative works based on the copyrighted work. Note that in the vast majority of cases, infringement of the derivative works right will necessarily entail infringement of the reproduction right as well, rendering the derivative works right redundant. This is because of the expansive nature in which courts have defined “copying” under the doctrine of non-literal

infringement. The creation of an unauthorized translation of a novel in a different language, for example, will generally infringe the reproduction right as well as the derivative works right, as would making a motion picture based on the novel, or a videogame based on the motion picture. *Metro-Goldwyn-Mayer, Inc. v. Showcase Atlanta Coop. Prods., Inc.*, 479 F. Supp. 351 (N.D. Ga. 1979).

*Nimmer on Copyright*, the leading treatise on copyright law, expresses the view that the derivative works right “may be thought to be completely superfluous,” and of no substantive significance except in “some exotic situations.” This is because, according to the treatise’s author, any adaptation of a copyrighted work that does not infringe the work’s reproduction right would likewise not infringe the right to make derivative works. “On the other hand, if the right to make derivative works, i.e., the adaptation right, has been infringed, then there is necessarily also an infringement of either the reproduction or performance right.” See, 2 *Nimmer on Copyright* § 8.09 (2019).

Nevertheless, there have been some cases in which the derivative works right has been found to be infringed even though the reproduction right was not. For example, in *Mirage Editions, Inc. v. Albuquerque A.R.T. Co.*, 856 F.2d 1341 (9th Cir. 1988), the court found that the defendant had violated the derivative works right when it removed copyrighted prints from a book, which had been lawfully purchased, and mounted those prints on tiles. Significantly, no reproduction of the prints occurred. But note that the Seventh Circuit subsequently rejected the *Mirage* court’s interpretation of the derivative works right in *Lee v. A.R.T. Company*, 125 F.3d 580 (7th Cir. 1997), and many would argue that *Lee* is the better reasoned decision. Suffice it to say that circumstances do exist in which the derivative works right is not superfluous, and can play a substantive role in copyright law.

In the following decision, for example, the court concludes that the copyright holder will likely succeed at trial in proving infringement of its right to prepare derivative works under 17 U.S.C. § 106(2). Although the § 106(1) reproduction right is not addressed, the decision was a close one, requiring the Ninth Circuit to reverse the district court’s decision and distinguish the facts of the case over an earlier Ninth Circuit decision, *Galoob*, which held that a similar product did not infringe the derivative works right. Although it is not entirely clear whether the court would have found the same likelihood that the copyright holder would succeed in establishing infringement of the reproduction right, this could be an example of § 106(2) being applied in a manner that is not entirely redundant with § 106(1).

Some things to consider when reading *Micro Star v. Formgen*:

1. The district court concludes that under *Galoob* the copyright holder was unlikely to succeed in establishing infringement of the derivative works right. What is the rationale behind the Ninth Circuit’s reversal of the district court’s conclusion?
2. Note the court’s use of analogy, analogizing the allegedly infringing computer program to instructions for a paint-by-numbers kit, sheet music, and a piece of pink cellophane that is put in front of a television screen to make everything look pinker.
3. Do you think the copyright holder would have been likely to succeed in establishing infringement of the reproduction right, as opposed to the derivative works right?

## *Micro Star v. Formgen Inc.*

154 F.3d 1107 (9th Cir. 1998)

KOZINSKI, Circuit Judge.

Duke Nukem routinely vanquishes Octabrain and the Protozoid Slimer. But what about the dreaded Micro Star?

### I

FormGen Inc. made, distributed and own the rights to Duke Nukem 3D (D/N-3D), an immensely popular (and very cool) computer game. D/N-3D is played from the first-person perspective; the player assumes the personality and point of view of the title character, who is seen on the screen only as a pair of hands and an occasional boot, much as one might see oneself in real life without the aid of a mirror. Players explore a futuristic city infested with evil aliens and other hazards. The goal is to zap them before they zap you, while searching for the hidden passage to the next level. The basic game comes with twenty-nine levels, each with a different combination of scenery, aliens, and other challenges. The game also includes a “Build Editor,” a utility that enables players to create their own levels. With FormGen’s encouragement, players frequently post levels they have created on the Internet where others can download them. Micro Star, a computer software distributor, did just that: It downloaded 300 user-created levels and stamped them onto a CD, which it then sold commercially as Nuke It (N/I).

Micro Star filed suit in district court, seeking a declaratory judgment that N/I did not infringe on any of FormGen’s copyrights. Relying on *Lewis Galoob Toys, Inc. v. Nintendo of Am., Inc.*, 964 F.2d 965 (9th Cir. 1992), the district court held that N/I was not a derivative work and therefore did not infringe FormGen’s copyright.

### III

FormGen alleges that its copyright is infringed by Micro Star’s unauthorized commercial exploitation of user-created game levels. In order to understand FormGen’s claims, one must first understand the way D/N-3D works. The game consists of three separate components: the game engine, the source art library and the MAP files. The game engine is the heart of the computer program; in some sense, it is the program. It tells the computer when to read data, save and load games, play sounds and project images onto the screen. In order to create the audiovisual display for a particular level, the game engine invokes the MAP file that corresponds to that level. Each MAP file contains a series of instructions that tell the game engine (and, through it, the computer) what to put where. For instance, the MAP file might say scuba gear goes at the bottom of the screen. The game engine then goes to the source art library, finds the image of the scuba gear, and puts it in just the right place on the screen. The MAP file describes the level in painstaking detail, but it does not actually contain any of the copyrighted art itself; everything that appears on the screen actually comes from the art library. Think of the game’s audiovisual display as a paint-by-numbers kit. The MAP file might tell you to put blue paint in section number 565, but it doesn’t contain any blue paint itself; the blue paint comes from your palette, which is the low-tech analog of the art library, while you play the role of the



game engine. When the player selects one of the N/I levels, the game engine references the N/I MAP files, but still uses the D/N-3D art library to generate the images that make up that level.

FormGen points out that a copyright holder enjoys the exclusive right to prepare derivative works based on D/N-3D. See 17 U.S.C. § 106(2) (1994). According to FormGen, the audiovisual displays generated when D/N-3D is run in conjunction with the N/I CD MAP files are derivative works that infringe this exclusivity. Is FormGen right? The answer is not obvious.

The Copyright Act defines a derivative work as

a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a “derivative work.”

*Id.* § 101. The statutory language is hopelessly overbroad, however, for “[e]very book in literature, science and art, borrows and must necessarily borrow, and use much which was well known and used before.” *Emerson v. Davies*, 8 F. Cas. 615, 619 (C.C.D.Mass.1845) (No. 4436), quoted in 1 *Nimmer on Copyright*, § 3.01, at 3–2 (1997). To narrow the statute to a manageable level, we have developed certain criteria a work must satisfy in order to qualify as a derivative work. One of these is that a derivative work must exist in a “concrete or permanent form,” *Galoob*, 964 F.2d at 967, and must substantially incorporate protected material from the preexisting work, see *Litchfield v. Spielberg*, 736 F.2d 1352, 1357 (9th Cir.1984). Micro Star argues that N/I is not a derivative work because the audiovisual displays generated when D/N-3D is run with N/I’s MAP files are not incorporated in any concrete or permanent form, and the MAP files do not copy any of D/N-3D’s protected expression. It is mistaken on both counts.

The requirement that a derivative work must assume a concrete or permanent form was recognized without much discussion in *Galoob*. There, we noted that all the Copyright Act’s examples of derivative works took some definite, physical form and concluded that this was a requirement of the Act. Obviously, N/I’s MAP files themselves exist in a concrete or permanent form; they are burned onto a CD-ROM. But what about the audiovisual displays generated when D/N-3D runs the N/I MAP files—i.e., the actual game level as displayed on the screen? Micro Star argues that, because the audiovisual displays in *Galoob* didn’t meet the “concrete or permanent form” requirement, neither do N/I’s.

In *Galoob*, we considered audiovisual displays created using a device called the Game Genie, which was sold for use with the Nintendo Entertainment System. The Game Genie allowed players to alter individual features of a game, such as a character’s strength or speed, by selectively blocking the value for a single data byte sent by the game cartridge to the Nintendo console and replacing it with a new value. Players chose which data value to replace by entering a code; over a billion different codes were possible. The Game Genie was dumb; it functioned only as a window into the computer program, allowing players to temporarily modify individual aspects of the game.

Nintendo sued, claiming that when the Game Genie modified the game system’s audiovisual display, it created an infringing derivative work. We rejected this claim because “a derivative work must incorporate a

protected work in some concrete or permanent form.” The audiovisual displays generated by combining the Nintendo System with the Game Genie were not incorporated in any permanent form; when the game was over, they were gone. Of course, they could be reconstructed, but only if the next player chose to reenter the same codes.<sup>5</sup>

Micro Star argues that the MAP files on N/I are a more advanced version of the Game Genie, replacing old values (the MAP files in the original game) with new values (N/I’s MAP files). But, whereas the audiovisual displays created by Game Genie were never recorded in any permanent form, the audiovisual displays generated by D/N-3D from the N/I MAP files are in the MAP files themselves. In *Galoob*, the audiovisual display was defined by the original game cartridge, not by the Game Genie; no one could possibly say that the data values inserted by the Game Genie described the audiovisual display. In the present case the audiovisual display that appears on the computer monitor when a N/I level is played is described—in exact detail—by a N/I MAP file.

This raises the interesting question whether an exact, down to the last detail, description of an audiovisual display (and—by definition—we know that MAP files do describe audiovisual displays down to the last detail) counts as a permanent or concrete form for purposes of *Galoob*. We see no reason it shouldn’t. What, after all, does sheet music do but describe in precise detail the way a copyrighted melody sounds? See 1 William F. Patry, *Copyright Law and Practice* 168 (1994) (“[A] musical composition may be embodied in sheet music....”). To be copyrighted, pantomimes and dances may be “described in sufficient detail to enable the work to be performed from that description.” *Id.* at 243 (citing *Compendium II of Copyright Office Practices* § 463). Similarly, the N/I MAP files describe the audiovisual display that is to be generated when the player chooses to play D/N-3D using the N/I levels. Because the audiovisual displays assume a concrete or permanent form in the MAP files, *Galoob* stands as no bar to finding that they are derivative works.

In addition, “[a] work will be considered a derivative work only if it would be considered an infringing work if the material which it has derived from a preexisting work had been taken without the consent of a copyright proprietor of such preexisting work.” *Mirage Editions v. Albuquerque A.R.T. Co.*, 856 F.2d 1341, 1343 (quoting 1 *Nimmer on Copyright* § 3.01 (1986)). “To prove infringement, [FormGen] must show that [D/N-3D’s and N/I’s audiovisual displays] are substantially similar in both ideas and expression.” *Litchfield v. Spielberg*, 736 F.2d 1352, 1356 (9th Cir.1984). Similarity of ideas may be shown by comparing the objective details of the works: plot, theme, dialogue, mood, setting, characters, etc. Similarity of expression focuses on the response of the ordinary reasonable person, and considers the total concept and feel of the works. FormGen will doubtless succeed in making these showings since the audiovisual displays generated when the player chooses the N/I levels come entirely out of D/N-3D’s source art library. Cf. *Atari, Inc. v. North Am. Philips Consumer Elec. Corp.*, 672 F.2d 607, 620 (7th Cir.1982) (finding two video games substantially similar because they shared the same “total concept and feel”).

Micro Star further argues that the MAP files are not derivative works because they do not, in fact, incorporate any of D/N-3D’s protected expression. In particular, Micro Star makes much of the fact that the N/I MAP files reference the source art library, but do not actually contain any art files themselves. Therefore, it claims, nothing of D/N-3D’s is reproduced in the MAP files. In making this argument, Micro Star misconstrues the protected work. The work that Micro Star infringes is the D/N-3D story itself—a beefy commando type named Duke who wanders around post-Apocalypse Los Angeles, shooting Pig Cops with

a gun, lobbing hand grenades, searching for medkits and steroids, using a jetpack to leap over obstacles, blowing up gas tanks, avoiding radioactive slime. A copyright owner holds the right to create sequels, see *Trust Co. Bank v. MGM/UA Entertainment Co.*, 772 F.2d 740 (11th Cir.1985), and the stories told in the N/I MAP files are surely sequels, telling new (though somewhat repetitive) tales of Duke's fabulous adventures. A book about Duke Nukem would infringe for the same reason, even if it contained no pictures.

#### IV

FormGen will likely succeed at trial in proving that Micro Star has infringed its copyright.

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### Check Your Understanding – *Micro Star*

**Question 1.** In the Ninth Circuit (according to the court in *Micro Star*), which of the following is required in order for a work to qualify as a derivative work?



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**Question 2.** What aspect of Duke Nukem 3D was found to be infringed by Micro Star?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-170>

Although the creator of a derivative work right can often claim copyright in the copyrightable elements introduced into the derivative work, i.e., “incremental original expression” that appears for the first time in the derivative work, the derivative work’s creator might be precluded from claiming any copyright in the derivative work, including for copyrightable expression added to the work, if the creation of the derivative work was not authorized by the owner of the copyright in the preexisting work. The following decision explores the contours of this aspect of the derivative works right.

Some things to consider when reading *Schrock*:

1. The court assumes that photographs at issue in this case are “derivative works,” which the Copyright Act defines as “a work based upon one or more preexisting works.” In this case, the “preexisting works” are toys that embody copyrighted animated characters from a children’s TV show, and the purported

derivative works are photographs of these toys.

2. The district court found, on a motion for summary judgment, that the plaintiff had no copyright in the photographs. The district court's decision was based largely on its interpretation of an earlier Seventh Circuit decision, *Gracen v. Bradford Exchange*, a controversial opinion authored by Judge Posner. What was the rationale behind Posner's statements in *Gracen*? How, and why, did the *Schrock* court reject, or at least "clarify," the statements made in *Gracen*?
3. What aspects of a derivative work can be copyrighted?
4. Why is the copyright in a derivative work generally "thin"?
5. Why is there "deep disagreement" as to whether photographs of a copyrighted work are derivative works?
6. Consider the role copyright registration plays in the case.
7. Why did the Seventh Circuit reverse the district court's decision? What is the district court instructed to do on remand?

### *Schrock v. Learning Curve Int'l, Inc.*

586 F.3d 513 (7th Cir. 2009)

SYKES, Circuit Judge.

HIT Entertainment ("HIT") owns the copyright to the popular "Thomas & Friends" train characters, and it licensed Learning Curve International ("Learning Curve") to make toy figures of its characters. Learning Curve in turn hired Daniel Schrock, a professional photographer, to take pictures of the toys for promotional materials. Learning Curve used Schrock's services on a regular basis for about four years and thereafter continued to use some of his photographs in its advertising and on product packaging. After Learning Curve stopped giving him work, Schrock registered his photos for copyright protection and sued Learning Curve and HIT for infringement.

The district court granted summary judgment for the defendants, holding that Schrock has no copyright in the photos. The court classified the photos as "derivative works" under the Copyright Act—derivative, that is, of the "Thomas & Friends" characters, for which HIT owns the copyright—and held that Schrock needed permission from Learning Curve (HIT's licensee) not only to make the photographs but also to copyright them. Because Schrock had permission to make but not permission to copyright the photos, the court dismissed his claim for copyright infringement.

We reverse. We assume for purposes of this decision that the district court correctly classified Schrock's photographs as derivative works. It does not follow, however, that Schrock needed authorization from Learning Curve to copyright the photos. As long as he was authorized to make the photos (he was), he owned the copyright in the photos to the extent of their incremental original expression. In requiring permission to make *and* permission to copyright the photos, the district court relied on language in *Gracen v. Bradford Exchange*, 698 F.2d 300 (7th Cir.1983), suggesting that both are required for copyright in a derivative work. We have more recently explained, however, that copyright in a derivative work arises by operation of law—not through authority from the owner of the copyright in the underlying work—although the parties

may alter this default rule by agreement. See *Liu v. Price Waterhouse LLP*, 302 F.3d 749, 755 (7th Cir.2002). Schrock created the photos with permission and therefore owned the copyright to the photos provided they satisfied the other requirements for copyright and the parties did not contract around the default rule.

We also take this opportunity to clarify another aspect of *Gracen* that is prone to misapplication. *Gracen* said that “a derivative work must be substantially different from the underlying work to be copyrightable.” 698 F.2d at 305. This statement should not be understood to require a heightened standard of originality for copyright in a derivative work. We have more recently explained that “the only ‘originality’ required for [a] new work to be copyrightable ... is enough expressive variation from public-domain or other existing works to enable the new work to be readily distinguished from its predecessors.” *Bucklew v. Hawkins, Ash, Baptie & Co., LLP*, 329 F.3d 923, 929 (7th Cir.2003). Here, Schrock’s photos of Learning Curve’s “Thomas & Friends” toys possessed sufficient incremental original expression to qualify for copyright.

But the record doesn’t tell us enough about the agreements between the parties for us to determine whether they agreed to alter the default rule regarding copyright or whether Learning Curve had an implied license to continue to use Schrock’s photos. Whether Schrock could copyright his photographs and maintain an infringement action against the defendants depends on the contractual understandings between Schrock, Learning Curve, and HIT. Accordingly, we remand to the district court for further proceedings consistent with this opinion.

## **I. Background**

HIT is the owner of the copyright in the “Thomas & Friends” properties, and Learning Curve is a producer and distributor of children’s toys. HIT and Learning Curve entered into a licensing agreement granting Learning Curve a license to create and market toys based on HIT’s characters. HIT and Learning Curve maintain (through an affidavit of HIT’s vice-president of licensing) that HIT retained all intellectual-property rights in the works produced under the license. The licensing agreement, however, is not in the record.

In 1999 Learning Curve retained Daniel Schrock to take product photographs of its toys, including those based on HIT’s characters, for use in promotional materials. On numerous occasions during the next four years, Schrock photographed several lines of Learning Curve’s toys, including many of the “Thomas & Friends” toy trains, related figures, and train-set accessories. Schrock invoiced Learning Curve for this work, and some of the invoices included “usage restrictions” purporting to limit Learning Curve’s use of his photographs to two years. Learning Curve paid the invoices in full—in total more than \$400,000.

Learning Curve stopped using Schrock’s photography services in mid-2003 but continued to use some of his photos in its printed advertising, on packaging, and on the internet. In 2004 Schrock registered his photos for copyright protection and sued HIT and Learning Curve for infringement[.] HIT and Learning Curve moved for summary judgment, arguing primarily that Schrock’s photos were derivative works and not sufficiently original to claim copyright protection, and that neither HIT nor Learning Curve ever authorized Schrock to copyright the photos. They argued in the alternative that Schrock granted them an unlimited oral license to use the photos.

The district court granted summary judgment for the defendants. The judge began by noting the long tradition of recognizing copyright protection in photographs but said he would nonetheless “eschew” the

question whether Schrock's photographs were sufficiently original to copyright. The judge focused instead on whether the photos were derivative works under the Copyright Act and concluded that they were. Then, following language in *Gracen*, the judge held that Learning Curve's permission to make the photos was not enough to trigger Schrock's copyright in them; the judge said Schrock must also have Learning Curve's permission to copyright the photos. Schrock did not have that permission, so the judge concluded that Schrock had no copyright in the photos and dismissed his claim for copyright infringement. Schrock appealed.

## II. Discussion

Schrock argues that the district judge mistakenly classified his photos as derivative works and misread or misapplied *Gracen*. He contends that his photos are not derivative works, and even if they are, his copyright is valid and enforceable because he had permission from Learning Curve to photograph the underlying copyrighted works and his photos contained sufficient incremental original expression to qualify for copyright. HIT and Learning Curve defend the district court's determination that the photos are derivative works and argue that the court properly read *Gracen* to require permission to copyright as well as permission to make the derivative works. Alternatively, they maintain that Schrock's photographs contain insufficient originality to be copyrightable[.] Finally, the defendants ask us to affirm on the independent ground that Schrock orally granted them an unlimited license to use his works.

As a general matter, a plaintiff asserting copyright infringement must prove: "(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). There is no dispute here about copying; Learning Curve used Schrock's photos in its promotional materials. The focus instead is on the validity of Schrock's asserted copyright in the photos. The Copyright Act provides that "[c]opyright protection subsists ... in original works of authorship fixed in any tangible medium of expression ... from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 102(a).

Much of the briefing on appeal—and most of the district court's analysis—concerned the classification of the photos as derivative works. A "derivative work" is:

[A] work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work".

17 U.S.C. § 101. The Copyright Act specifically grants the author of a derivative work copyright protection in the incremental original expression he contributes as long as the derivative work does not infringe the underlying work. See *id.* § 103(a), (b); see also *Pickett v. Prince*, 207 F.3d 402, 405 (7th Cir.2000); *Lee v. A.R.T. Co.*, 125 F.3d 580, 582 (7th Cir.1997). The copyright in a derivative work, however, "extends only to the material contributed by the author of such work, as distinguished from the preexisting material employed in the work." 17 U.S.C. § 103(b).

### A. Photographs as Derivative Works

Whether photographs of a copyrighted work are derivative works is the subject of deep disagreement among courts and commentators alike. See 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 3.03[C][1], at 3–20.3 (Aug.2009). The district court held that Schrock's photos came within the definition of derivative works because they “recast, transformed, or adapted” the three-dimensional toys into a different, two-dimensional medium. For this conclusion the judge relied in part on language in *Gracen* and in the Ninth Circuit's decision in *Ets-Hokin v. Skyy Spirits, Inc.*, 225 F.3d 1068 (9th Cir.2000), recognizing, however, that neither decision directly decided the matter. *Gracen* did not involve photographs at all, and although *Ets-Hokin* did, the Ninth Circuit ultimately sidestepped the derivative-works question and rested its decision on other grounds.

We need not resolve the issue definitively here. The classification of Schrock's photos as derivative works does not affect the applicable legal standard for determining copyrightability, although as we have noted, it does determine the scope of copyright protection. Accordingly, we will assume without deciding that each of Schrock's photos qualifies as a derivative work within the meaning of the Copyright Act.

## **B. Originality and Derivative Works**

As a constitutional and statutory matter, “[t]he *sine qua non* of copyright is originality.” *Feist Publ'ns, Inc.*, 499 U.S. at 345, see 17 U.S.C. § 102. Originality in this context “means only that the work was independently created by the author ... and that it possesses at least some minimal degree of creativity.” *Feist Publ'ns, Inc.*, 499 U.S. at 345. The Supreme Court emphasized in *Feist* that “the requisite level of creativity is extremely low; even a slight amount will suffice.” The Court also explained that “[o]riginality does not signify novelty; a work may be original even though it closely resembles other works.” What is required is “independent creation plus a modicum of creativity.”

Federal courts have historically applied a generous standard of originality in evaluating photographic works for copyright protection. In some cases, the original expression may be found in the staging and creation of the scene depicted in the photograph. See, e.g., *Mannion v. Coors Brewing Co.*, 377 F.Supp.2d 444, 452 (S.D.N.Y.2005). But in many cases, the photographer does not invent the scene or create the subject matter depicted in it. Rather, the original expression he contributes lies in the rendition of the subject matter—that is, the effect created by the combination of his choices of perspective, angle, lighting, shading, focus, lens, and so on. Most photographs contain at least some originality in their rendition, see *Mannion*, 377 F.Supp.2d at 452 (“Unless a photograph replicates another work with total or near-total fidelity, it will be at least somewhat original in the rendition.”), except perhaps for a very limited class of photographs that can be characterized as “slavish copies” of an underlying work, *Bridgeman Art Library, Ltd. v. Corel Corp.*, 25 F.Supp.2d 421, 427 (S.D.N.Y.1998) (finding no originality in transparencies of paintings where the goal was to reproduce those works exactly and thus to minimize or eliminate any individual expression).

Our review of Schrock's photographs convinces us that they do not fall into the narrow category of photographs that can be classified as “slavish copies,” lacking any independently created expression. To be sure, the photographs are accurate depictions of the three-dimensional “Thomas & Friends” toys, but Schrock's artistic and technical choices combine to create a two-dimensional image that is subtly but nonetheless sufficiently his own. This is confirmed by Schrock's deposition testimony describing his creative process in depicting the toys. Schrock explained how he used various camera and lighting techniques to make the toys look more “life like,” “personable,” and “friendly.” He explained how he tried to give the toys

“a little bit of dimension” and that it was his goal to make the toys “a little bit better than what they look like when you actually see them on the shelf.” The original expression in the representative sample is not particularly great (it was not meant to be), but it is enough under the applicable standard to warrant the limited copyright protection accorded derivative works under § 103(b).

Aside from arguing that the works fail under the generally accepted test for originality, Learning Curve and HIT offer two additional reasons why we should conclude that Schrock’s photographs are not original. First, they claim that the photos are intended to serve the “purely utilitarian function” of identifying products for consumers. The purpose of the photographs, however, is irrelevant. See *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

The defendants’ second and more substantial argument is that it is not enough that Schrock’s photographs might pass the ordinary test for originality; they claim that as derivative works, the photos are subject to a higher standard of originality. A leading copyright commentator disagrees. The Nimmer treatise maintains that the quantum of originality required for copyright in a derivative work is the same as that required for copyright in any other work. See 1 NIMMER ON COPYRIGHT § 3.01, at 3–2, § 3.03[A], at 3–7. More particularly, Nimmer says the relevant standard is whether a derivative work contains a “nontrivial” variation from the preexisting work “sufficient to render the derivative work distinguishable from [the] prior work in any meaningful manner.” The caselaw generally follows this formulation. See, e.g., *Eden Toys, Inc. v. Florelee Undergarment Co.*, 697 F.2d 27, 34–35 (2d Cir.1982) (holding that numerous minor changes in an illustration of Paddington Bear were sufficiently nontrivial because they combined to give Paddington a “different, cleaner ‘look’ ”); *Millworth Converting Corp. v. Slifka*, 276 F.2d 443, 445 (2d Cir.1960) (holding that embroidered reproduction of a public-domain embroidery of Peter Pan was sufficiently distinguishable because the latter gave a “three-dimensional look” to the former embroidery).

Learning Curve and HIT argue that our decision in *Gracen* established a more demanding standard of originality for derivative works. *Gracen* involved an artistic competition in which artists were invited to submit paintings of the character Dorothy from the Metro-Goldwyn-Mayer (“MGM”) movie *The Wizard of Oz*. Participating artists were given a still photograph of Dorothy from the film as an exemplar, and the paintings were solicited and submitted with the understanding that the best painting would be chosen for a series of collector’s plates. *Gracen*, 698 F.2d at 301. Plaintiff Gracen prevailed in the competition, but she refused to sign the contract allowing her painting to be used in the collector’s plates. The competition sponsor commissioned another artist to create a similar plate, and Gracen sued the sponsor, MGM, and the artist for copyright infringement. We held that Gracen could not maintain her infringement suit because her painting, a derivative work, was not “substantially different from the underlying work to be copyrightable.”

The concern expressed in *Gracen* was that a derivative work could be so similar in appearance to the underlying work that in a subsequent infringement suit brought by a derivative author, it would be difficult to separate the original elements of expression in the derivative and underlying works in order to determine whether one derivative work infringed another. The opinion offered the example of artists A and B who both painted their versions of the Mona Lisa, a painting in the public domain. See *Gracen*, 698 F.2d at 304. “[I]f the difference between the original and A’s reproduction is slight, the difference between A’s and B’s reproductions will also be slight, so that if B had access to A’s reproductions the trier of fact will be hard-pressed to decide whether B was copying A or copying the Mona Lisa itself.”



No doubt this concern is valid. But nothing in the Copyright Act suggests that derivative works are subject to a more exacting originality requirement than other works of authorship.

We think *Gracen* . . . reveals the following general principles: (1) the originality requirement for derivative works is not more demanding than the originality requirement for other works; and (2) the key inquiry is whether there is sufficient nontrivial expressive variation in the derivative work to make it distinguishable from the underlying work in some meaningful way. [The] copyright in a derivative work is thin, extending only to the incremental original expression contributed by the author of the derivative work. See 17 U.S.C. § 103(b).

As applied to photographs, we have already explained that the original expression in a photograph generally subsists in its rendition of the subject matter. If the photographer's rendition of a copyrighted work varies enough from the underlying work to enable the photograph to be distinguished from the underlying work (aside from the obvious shift from three dimensions to two), then the photograph contains sufficient incremental originality to qualify for copyright. Schrock's photos of the "Thomas & Friends" toys are highly accurate product photos but contain minimally sufficient variation in angle, perspective, lighting, and dimension to be distinguishable from the underlying works; they are not "slavish copies." Accordingly, the photos qualify for the limited derivative-work copyright provided by § 103(b). However narrow that copyright might be, it at least protects against the kind of outright copying that occurred here.

### C. Authorization and Derivative Works

To be copyrightable, a derivative work must not be infringing. See 17 U.S.C. § 103(a). The owner of the copyright in the underlying work has the exclusive right to "prepare derivative works based upon the copyrighted work," 17 U.S.C. § 106(2), and it is a copyright infringement to make or sell a derivative work without a license from the owner of the copyright on the work from which the derivative work is derived. This means the author of a derivative work must have permission to make the work from the owner of the copyright in the underlying work; *Gracen* suggested, however, that the author of a derivative work must also have permission to copyright it. 698 F.2d at 303–04 ("[T]he question is not whether Miss Gracen was licensed to make a derivative work but whether she was also licensed to exhibit [her] painting and to copyright it.... Even if [Gracen] was authorized to exhibit her derivative works, she may not have been authorized to copyright them."). The district court relied on this language from *Gracen* to conclude that Schrock has no copyright in his photos because he was not authorized by Learning Curve to copyright them. This was error.

First, *Gracen*'s language presupposing a permission-to-copyright requirement was **dicta**; the case was actually decided on nonoriginality grounds. More importantly, the dicta was mistaken; there is nothing in the Copyright Act requiring the author of a derivative work to obtain permission to copyright his work from the owner of the copyright in the underlying work. To the contrary, the Act provides that copyright in a derivative work, like copyright in any other work, arises by operation of law once the author's original expression is fixed in a tangible medium. "Copyright protection subsists ... in original works of authorship fixed in any tangible medium of expression," 17 U.S.C. § 102(a), and "[t]he subject matter of copyright ... includes ... derivative works," *id.* § 103(a). "Copyright in a work protected under this title vests initially in the author or authors of the work." *Id.* § 201(a). This principle applies with equal force to derivative works.

There is an important proviso: If the pertinent agreement between the parties affirmatively bars the licensee from obtaining copyright protection even in a licensed derivative work, that contractual provision [governs.]

Because the owner of a copyrighted work has the exclusive right to control the preparation of derivative works, the owner [can] limit the derivative-work author's intellectual-property rights in the contract, license, or agreement that authorized the production of the derivative work. Although the right to claim copyright in a derivative work arises by operation of law—not by permission of the underlying copyright owner—the parties may alter this general rule by agreement.

In this case, the evidence submitted with the summary-judgment motion does not establish as a matter of law that the parties adjusted Schrock's rights by contract[;] it may be a jury question. We say "may" because further development of the record might resolve the remaining liability questions as a matter of law. It is undisputed that Schrock was authorized to photograph the "Thomas & Friends" toys, and as the creator of the photos, Schrock's copyright arose by operation of law. We cannot tell, however, whether the parties altered this default rule in their agreements. We note that HIT apparently attempted to do so, at least vis-à-vis Learning Curve; it claims that its licensing agreement with Learning Curve expressly retained the intellectual-property rights in all works that were based upon its copyrights. HIT also claims that the licensing agreement prohibited Learning Curve from granting any third parties copyright protection in derivative works based on HIT's copyright. As we have noted, however, the licensing agreement is not in the record. Although HIT's summary-judgment submission included an affidavit of its vice-president of licensing describing the agreement, the best evidence of the terms of an agreement is, of course, the agreement itself.

The terms of the agreement between Learning Curve and Schrock are even less clear. Whether Learning Curve, as HIT's licensee, contractually limited Schrock's right to copyright his photos is unknown; its failure to develop the record on this point, however, suggests that it did not. From what we can tell, the agreement between Learning Curve and Schrock appears to consist of a series of oral agreements followed by invoices for completed photography work. If Learning Curve was required under its licensing agreement with HIT to protect HIT's intellectual-property rights in connection with its retention of Schrock's photography services, it apparently failed to do so. Learning Curve argues in the alternative that Schrock granted it an unlimited license to use his photos, but on this issue the record is also ambiguous. We leave it to the district court to sort out, consistent with this opinion, whether the evidence requires a trial to determine liability among the parties.

Accordingly, for all the foregoing reasons, we REVERSE the judgment of the district court and REMAND for further proceedings consistent with this opinion.

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## Check Your Understanding – *Schrock*

**Question 1.** What rights are granted to the author of a derivative work?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-171>

**Question 2.** True or False: According to Schrock, derivative works are subject to a higher standard of originality than other works.



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-172>

## C. The Distribution Right and the First Sale Doctrine

The distribution right allows the copyright owner to exclude others from distributing copies of the work to the public by sale, or any other “transfer of ownership,” as a gift for example, as well as rental, lease, or lending. It allows the owner to hold liable for copyright infringement anyone who, without authorization, distributes the work, even if that individual did not reproduce the work. For example, a flea market vendor that sells unauthorized “bootleg” CDs containing copyrighted music can be held liable for copyright infringement, regardless of whether or not the vendor made any unauthorized copies.

The distribution right is limited by the first sale doctrine, as set forth in § 109 of the Copyright Act. Section 109 provides,

Notwithstanding the provisions of section 106(3) [i.e., the distribution right], the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.

In other words, the distribution right in any given copy of a work is effectively extinguished by an authorized transfer of ownership, for example by sale or gift. Thus, the purchaser of a book or music CD is free to sell that book to someone else, without infringing the distribution right in any copyrighted work embodied in the book or CD. In the non-digital world, application of the first sale doctrine is generally fairly straightforward. The purchaser of a hard copy textbook can sell that book back to a bookstore, for example, and that bookstore can sell it used to another student, without infringing any copyright. With respect to digital works, such as an e-book, on the other hand, it is difficult to transfer ownership without making a digital copy of the work, and the first sale doctrine does not apply to the reproduction right—the purchaser of a copyrighted work is not authorized to make copies of that work, only to transfer ownership of the original copy. This can make it difficult, if not virtually impossible as a practical matter, to sell a used e-book without violating the reproduction right of the copyright owner. Think about it, how would you go

about selling a book, musical sound recording, or videogame that you purchased by download onto your phone or computer? The issue is discussed in Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. Rev. 577 (2003), as well as The Department Of Commerce Internet Policy Task Force, *White Paper on Remixes, First Sale, and Statutory Damages: Copyright Policy, Creativity, and Innovation in the Digital Economy* (January 2016).

## *Columbia Pictures Indus., Inc. v. Garcia*

996 F. Supp. 770 (N.D. Ill. 1998)

ASPEN, Chief Judge.

The plaintiffs in this case, all of whom produce, distribute, and/or license motion pictures, sued Alex Garcia for copyright and trademark infringement, alleging that he and his business rented to the public unauthorized copies of their videotapes. The plaintiffs have moved for summary judgment, and for the reasons stated below we grant the motion.

### **I. Background**

Most of the relevant facts are not in dispute. Garcia owns and operates Master Video II, a video rental establishment in Cicero, Illinois. After an investigator from the Motion Picture Association of America, a trade association which counts most of the plaintiffs as its members, determined that Garcia was renting unauthorized duplicate videotapes, the plaintiffs secured from Judge Alesia an order directing the U.S. Marshal to seize a number of such tapes. Pursuant to that order, on December 12, 1996, two marshals seized 133 unauthorized duplicate videotapes of 102 copyrighted movies.

Garcia claims that he did not personally duplicate the tapes and that he did not have the equipment to do so. He asserts instead that he purchased all of the tapes from third parties and that his infringement, if any, was innocent.

### **II. Analysis**

#### **A. Infringement**

We begin by observing that there is no genuine issue of material fact with respect to whether or not the tapes are authorized or unauthorized copies. They are unauthorized. This compels a finding that Garcia violated 17 U.S.C. § 106(3) [the distribution right] by renting unauthorized duplicates of copyrighted movies, though after reviewing the record in the light most favorable to Garcia, we cannot conclude that he reproduced those movies in violation of 17 U.S.C. § 106(1).

For the foregoing reasons, we grant the plaintiffs' motion for summary judgment and award damages and an injunction.

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## Check Your Understanding – *Columbia Pictures v. Garcia*

**Question 1.** True or false: It is possible for an individual that has never engaged in copying to violate the Copyright Act.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-173>

Some things to consider when reading *UMG Recordings*:

1. UMG tried to avoid the “first sale” doctrine by licensing (as opposed to selling, or in this particular case giving) the CDs to recipients. Why did it fail?
2. What is the significance of the Unordered Merchandise Statute to the resolution of this case?
3. Note the court’s observation that, with respect to software in particular, “copyright owners may create licensing arrangements so that users acquire only a license to use the particular copy of software and do not acquire title that permits further transfer or sale of that copy without the permission of the copyright owner.”
4. What could UMG have done to avoid this outcome?

### *UMG Recordings, Inc. v. Augusto*

628 F.3d 1175 (9th Cir. 2011)

CANBY, Circuit Judge:

UMG Recordings appeals the district court’s grant of summary judgment in favor of defendant Troy Augusto on UMG’s claim of copyright infringement in violation of § 501 of the Copyright Act, which entitles copyright owners to institute an action for infringement of the exclusive right to distribute copies of the copyrighted work. See 17 U.S.C. §§ 501(a), (b), 106(3) (2006). The copies in issue comprise eight specially-produced compact discs, each embodying a copyrighted sound recording. UMG, the copyright owner, used the discs solely for marketing purposes, sending them unsolicited to individuals such as music critics and radio disc jockeys. Although Augusto was not one of those individuals, he managed to obtain the discs from various sources. He later sold them at auction, an act which UMG contends infringed its exclusive right to distribute the discs.

Augusto asserts that UMG’s initial distribution of the discs effected a transfer of ownership of the discs to the recipients, rendering the discs subject to the “first sale” doctrine, which permits one who has acquired ownership of a copy to dispose of that copy without the permission of the copyright owner. See *id.* § 109(a).

UMG argues that the statements on the discs and the circumstances of their distribution granted only a license to each recipient, not a transfer of ownership (or “sale”) of the copy. Absent a sale, UMG remained the owner of the discs and, accordingly, the defense of the first sale doctrine would be out of Augusto’s reach. We conclude that the mailing indeed did effect a sale of the discs to the recipients for purposes of the first sale doctrine, and we affirm the order of the district court.

### **BACKGROUND AND PROCEDURAL HISTORY**

The material facts of the case are undisputed. UMG is among the world’s largest music companies. One of its core businesses is the creation, manufacture, and sale of recorded music, or phonorecords, the copyrights of which are owned by UMG. These phonorecords generally take the form of compact discs (“CDs”).

Like many music companies, UMG ships specially-produced promotional CDs to a large group of individuals (“recipients”), such as music critics and radio programmers, that it has selected. There is no prior agreement or request by the recipients to receive the CDs. UMG does not seek or receive payment for the CDs, the content and design of which often differs from that of their commercial counterparts. Relatively few of the recipients refuse delivery of the CDs or return them to UMG, and UMG destroys those that are returned.

Most of the promotional CDs in issue in this case bore a statement (the “promotional statement”) similar to the following:

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.

Some of the CDs bore a more succinct statement, such as “Promotional Use Only—Not for Sale.”

Augusto was not among the select group of individuals slated to receive the promotional CDs. He nevertheless managed to acquire numerous such CDs, many of which he sold through online auctions at eBay.com. Augusto regularly advertised the CDs as “rare ... industry editions” and referred to them as “Promo CDs.”

After several unsuccessful attempts at halting the auctions through eBay’s dispute resolution program, UMG filed a complaint against Augusto in the United States District Court for the Central District of California, alleging that Augusto had infringed UMG’s copyrights in eight promotional CDs for which it retained the “exclusive right to distribute.” The district court granted summary judgment in favor of Augusto, and UMG appealed.

### **DISCUSSION**

To establish a *prima facie* case of copyright infringement, a plaintiff must show (1) ownership of a valid copyright and (2) violation by the alleged infringer of at least one of the exclusive rights granted to copyright owners by the Copyright Act (the “Act”). Section 106 of the Act grants copyright owners, such as UMG, the exclusive right, among others, “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership.” 17 U.S.C. § 106(3). The district court held that UMG made out a *prima*

facie case of copyright infringement: UMG established that it owned the copyright to the promotional CDs and Augusto sold the CDs without UMG's permission.

Although UMG, as the owner of the copyright, has exclusive rights in the promotional CDs, exemptions, compulsory licenses, and defenses found in the Copyright Act narrow those rights. Augusto invokes the "first sale" doctrine embodied in § 109(a) of the Act. He argues that the circumstances attending UMG's distribution of the discs effected a "sale" (transfer of ownership) of the discs to the original recipients and that, under the "first sale" doctrine, the recipients and subsequent owners of those particular copies were permitted to sell or otherwise dispose of those copies without authorization by the copyright holder.

In the alternative, Augusto argues that the original recipients were entitled to treat the CDs as gifts under the Unordered Merchandise Statute, enacted as part of the Postal Reorganization Act of 1970, and therefore had "the right to retain, use, discard, or dispose of [them] in any manner [they saw] fit," in this case, by selling those CDs to the thrift shops and second-hand stores where Augusto states he purchased them. See 39 U.S.C. § 3009(a), (b) (2006).

UMG, on the other hand, contends that the promotional statement effected a license with the recipients and, because the recipients were not owners but licensees of the CDs, neither they nor Augusto were entitled to sell or otherwise transfer the CDs. See *Quality King Distribs., Inc. v. Lanza Research Int'l, Inc.*, 523 U.S. 135, 146–47 (1998) ("[B]ecause the protection afforded by § 109(a) is available only to the 'owner' of a lawfully made copy ..., the first sale doctrine would not provide a defense to ... any nonowner such as a bailee, a licensee, a consignee, or one whose possession of the copy was unlawful.").

### **The Distribution of the Promotional CDs Effected a Sale**

The first sale doctrine provides that "the owner of a particular copy or phonorecord lawfully made under [the Act], or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord." 17 U.S.C. § 109(a). Notwithstanding its distinctive name, the doctrine applies not only when a copy is first sold, but when a copy is given away or title is otherwise transferred without the accouterments of a sale.

A copyright owner who transfers title in a particular copy to a purchaser or donee cannot prevent resale of that particular copy. We have recognized, however, that not every transfer of possession of a copy transfers title. Particularly with regard to computer software, we have recognized that copyright owners may create licensing arrangements so that users acquire only a license to use the particular copy of software and do not acquire title that permits further transfer or sale of that copy without the permission of the copyright owner. Our most recent example of that rule is *Vernor v. Autodesk, Inc.*, 621 F.3d 1102 (9th Cir.2010). Others are *Wall Data Inc. v. Los Angeles Cnty. Sheriff's Dept.*, 447 F.3d 769 (9th Cir.2006); *Triad Sys. Corp. v. Se. Express Co.*, 64 F.3d 1330 (9th Cir.1995); *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511 (9th Cir.1993). All of these cases dealt with the question whether arrangements with consumers amounted to sales of copies, or succeeded in awarding only licenses. They recognized that the mere labeling of an arrangement as a license rather than a sale, although it was a factor to be considered, was not by itself dispositive of the issue.

The same question is presented here. Did UMG succeed in creating a license in recipients of its promotional CDs, or did it convey title despite the restrictive labeling on the CDs? We conclude that, under all the circumstances of the CDs' distribution, the recipients were entitled to use or dispose of them in any manner

they saw fit, and UMG did not enter a license agreement for the CDs with the recipients. Accordingly, UMG transferred title to the particular copies of its promotional CDs and cannot maintain an infringement action against Augusto for his subsequent sale of those copies.

Our conclusion that the recipients acquired ownership of the CDs is based largely on the nature of UMG's distribution. First, the promotional CDs are dispatched to the recipients without any prior arrangement as to those particular copies. The CDs are not numbered, and no attempt is made to keep track of where particular copies are or what use is made of them. As explained in greater detail below, although UMG places written restrictions in the labels of the CDs, it has not established that the restrictions on the CDs create a license agreement.

We also hold that, because the CDs were unordered merchandise, the recipients were free to dispose of them as they saw fit under the Unordered Merchandise Statute, 39 U.S.C. § 3009, which provides in pertinent part that,

(a) [e]xcept for ... free samples clearly and conspicuously marked as such, ... the mailing of unordered merchandise ... constitutes an unfair method of competition and an unfair trade practice....

(b) Any merchandise mailed in violation of subsection (a) of this section ... may be treated as a gift by the recipient, *who shall have the right to retain, use, discard, or dispose of it in any manner he sees fit without any obligation whatsoever to the sender....*

*Id.* § 3009(a), (b) (emphasis added). The statute defines “unordered merchandise” as “merchandise mailed without the prior expressed request or consent of the recipient” but leaves “merchandise” itself undefined. *Id.* § 3009(d).

Augusto attempts to invoke this statute directly in his defense, but the statute in terms confers rights only on recipients of unordered merchandise. Augusto does not contend that UMG shipped the promotional CDs to him, nor does he show that any of his sources in fact treated the CDs as gifts. The significance of the Unordered Merchandise Statute is not that it applies to Augusto, but that it confers on the recipients the “right to retain, use, discard, or dispose of [the CDs] in any manner that [they] see[ ] fit, without obligation to the sender,” UMG. This provision is utterly inconsistent with the terms of the license that UMG sought to impose on the recipients. Because the statute grants to the recipients the right to treat the CDs as their own, shipping the unordered CDs to the recipients rendered the recipients owners, not licensees, of the CDs for purposes of the first sale defense. This effect of the Unordered Merchandise Statute distinguishes this case from those involving computer software, where the software consumers clearly ordered and paid for the software licensed to them.

UMG contends that the Unordered Merchandise Statute clearly does not apply to its distribution of free promotional CDs, because the “main purpose” of the Statute was to control the unconscionable practice of persons who ship unordered merchandise to consumers and then trick or bully them into paying for it. Because UMG is not trying to extract payment from the recipients, it argues that the statute does not apply. But the terms of the statute do not require “bullying” for payment; it is enough that unordered merchandise is sent. The recipient is then free to treat it as a gift “without any obligation whatsoever to the sender.” In sending its promotional CDs, UMG attempts to obligate the recipient to confine the use of the CDs to



promotional purposes. It serves the purpose of the statute to permit a recipient who does not wish to be so obligated to treat the unordered CD as a gift. We also have no difficulty concluding that the CDs fall within the meaning of “merchandise.” UMG’s attempt to prohibit their sale is an indication.

There are additional reasons for concluding that UMG’s distribution of the CDs did not involve a consensual licensing operation. Some of the statements on the CDs and UMG’s purported method of securing agreement to licenses militate against a conclusion that any licenses were created. The sparsest promotional statement, “Promotional Use Only—Not for Sale,” does not even purport to create a license. But even the more detailed statement is flawed in the manner in which it purports to secure agreement from the recipient. The more detailed statement provides:

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.

It is one thing to say, as the statement does, that “acceptance” of the CD constitutes an agreement to a license and its restrictions, but it is quite another to maintain that “acceptance” may be assumed when the recipient makes no response at all. This record reflects no responses. Even when the evidence is viewed in the light most favorable to UMG, it does not show that any recipients agreed to enter into a license agreement with UMG when they received the CDs.

Because the record here is devoid of any indication that the recipients agreed to a license, there is no evidence to support a conclusion that licenses were established under the terms of the promotional statement. Accordingly, we conclude that UMG’s transfer of possession to the recipients, without meaningful control or even knowledge of the status of the CDs after shipment, accomplished a transfer of title.

### CONCLUSION

UMG’s distribution of the promotional CDs under the circumstances effected a sale (transfer of title) of the CDs to the recipients. Further sale of those copies was therefore permissible without UMG’s authorization. The judgment of the district court dismissing UMG’s copyright infringement action against Augusto is therefore **AFFIRMED**.

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## Check Your Understanding – *UMG Recordings*

**Question 1.** Under what circumstances can a copyright owner transfer possession of a copy of the work without invoking the first sale doctrine?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=154#h5p-174>

Some things to consider when reading *London-Sire Recs.*:

1. The defendants argue that unauthorized “peer-to-peer” file-sharing of copyrighted music does not infringe the distribution right because digital music files are not “material objects” and file sharing does not constitute distribution. Why does the court reject these arguments?
2. According to the court, what does the term “authorize” mean in the context of § 106(3), i.e., the distribution right?
3. How does the court respond to the defendant’s argument that the distribution right only extends to “actual distributions,” as opposed to merely making copies of the works “available” to the public?

### *London-Sire Recs., Inc. v. Doe 1*

542 F. Supp. 2d 153 (D. Mass. 2008)

GERTNER, District Judge.

The plaintiffs include several of the country’s largest record companies. The defendants, the plaintiffs claim, are individual computer users—mainly college students—who use “peer-to-peer” file-sharing software to download and disseminate music without paying for it, infringing the plaintiffs’ copyrights.

## **I. BACKGROUND**

### **A. Facts**

Peer-to-peer software primarily exists to create decentralized networks of individual computer users. The software allows the users to communicate directly with one another, rather than routing their transmissions through a central server—thus the term “peer-to-peer” architecture, as opposed to “client-server.”

Because communications between two computers on a peer-to-peer network can take place directly, without passing through a central network server, such transactions are not easily observable by a third party.

Peer-to-peer users can also transfer files over the network. Many such files are entirely legitimate. However, other files transferred are electronic versions of copyrighted music or video files. Notably, because the files on each user’s computer are digital, another computer can make a precise copy of them with no attendant loss in quality.

In this case, the plaintiffs allege that each of the defendants has taken part in just such a file transfer. To discover potentially infringing transfers, the plaintiffs (acting through their trade association, the Recording Industry Association of America, or “RIAA”) have retained a third-party investigator, MediaSentry, Inc. (“MediaSentry”). MediaSentry essentially functions as an undercover user of the peer-to-peer networks. It connects to the network and searches for the plaintiff record companies’ copyrighted files. Upon finding the files, it downloads them. MediaSentry gathers what information it can about the computer from which the files were downloaded (the “sending computer.”) Most crucially, that information includes the date and time at which the files were downloaded and the IP number of the sending computer.

### **1. Whether the Plaintiffs Have Asserted a Claim Upon Which Relief Can Be Granted**

Two rights reserved to the copyright holder are at issue in this case: the right “to reproduce the copyrighted work in copies or phonorecords,” 17 U.S.C. § 106(1), and the right “to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending,” *id.* § 106(3).

The movants and the amicus present two broad arguments, each of which requires the Court to consider the scope of a copyright holder’s exclusive rights under the statutes quoted above. First, they contend that the copyright laws require an actual dissemination of copyrighted material; merely making copyrighted material available for another person to copy, they argue, is only an attempt at infringement—which is not actionable. Second, they contend that the scope of the rights given to copyright owners by § 106 is limited by the definition of “phonorecords” as “material objects” in 17 U.S.C. § 101. In their view, the copyright owner’s rights are limited to tangible, physical objects, and purely electronic transmissions over the internet fall outside those rights.

#### **a. Whether the Copyright Holder’s Right Extends Only to Actual Distributions**

The first question the Court must address is whether the distribution right under 17 U.S.C. § 106(3) requires an actual dissemination to constitute an infringement. MediaSentry, posing as just another peer-to-peer user, can easily verify that copyrighted material has been made available for download from a certain IP address. Arguably, though, MediaSentry’s own downloads are not themselves copyright infringements because it is acting as an agent of the copyright holder, and copyright holders cannot infringe their own rights. If that argument is accepted, MediaSentry’s evidence cannot alone demonstrate an infringement.

The plaintiffs suggest two reasons why an actual distribution might not be required. First, the statute reserves to the copyright owner the right “to do *and to authorize* ... [the distribution of] copies or phonorecords of the copyrighted work to the public.” § 106(3) (emphasis added). The language appears to grant two distinct rights: “doing” and “authorizing” a distribution. Making the copyrighted material available over the internet might constitute an actionable “authorization” of a distribution. Second, if mere authorization is not enough, the plaintiffs argue that in appropriate circumstances—including these—“making available” copyrighted material is sufficient to constitute an act of actual distribution. Neither argument has merit.

The First Circuit has squarely considered and rejected the proposition that copyright liability arises where the defendant authorized an infringement, but no actual infringement occurred. See *Venegas-Hernandez v. Ass’n De Compositores & Editores de Música Latinoamericana*, 424 F.3d 50, 57–58 (1st Cir.2005). It noted

that Congress' intent in adding "authorize" to the statute was to "avoid any questions as to the liability of contributory infringers." Authorization is sufficient to give rise to liability, but only if an infringing act occurs after the authorization.

Thus, to constitute a violation of the distribution right under § 106(3), the defendants' actions must do more than "authorize" a distribution; they must actually "do" it. The Court therefore moves to the plaintiffs' second argument: Merely making copyrighted works available to the public is enough where, as in this case, the alleged distributor does not need to take any more affirmative steps before an unauthorized copy of the work changes hands. Other courts have split over whether that is a valid reading of the statute. Compare *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199 (4th Cir.1997) (holding that making copyrighted material available is sufficient to constitute a distribution) with *Nat'l Car Rental Sys., Inc. v. Computer Assocs. Int'l, Inc.*, 991 F.2d 426, 434 (8th Cir.1993) (stating that infringement of the distribution right requires the actual dissemination of copies or phonorecords).

To suggest that "making available" may be enough, the plaintiffs rely primarily on the Fourth Circuit's decision in *Hotaling*. In that case, a library had an unauthorized copy of a book, which it "made available" to the public; the defendant argued that without a showing that any member of the public actually read the book, it could not be liable for "distribution." The district court agreed and granted summary judgment to the defendant. The Fourth Circuit reversed:

When a public library adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the borrowing or browsing public, it has completed all the steps necessary for distribution to the public. At that point, members of the public can visit the library and use the work. Were this not to be considered distribution within the meaning of § 106(3), a copyright holder would be prejudiced by a library that does not keep records of public use, and the library would unjustly profit by its own omission.

The plaintiffs contend that this case is analogous to *Hotaling*, and suggest that the Court should reach the same conclusion as the Fourth Circuit. But the EFF correctly points out a lacuna in the Fourth Circuit's reasoning. Merely because the defendant has "completed all the steps necessary for distribution" does not necessarily mean that a distribution has actually occurred. It is a "distribution" that the statute plainly requires. See 17 U.S.C. § 106(3).

But that does not mean that the plaintiffs' pleadings and evidence are insufficient. The Court can draw from the Complaint and the current record a reasonable inference in the plaintiffs' favor—that where the defendant has completed all the necessary steps for a public distribution, a reasonable fact-finder may infer that the distribution actually took place. As in *Hotaling*, the defendants have completed the necessary steps for distribution, albeit electronic: Per the plaintiffs' pleadings, each individual Doe defendant connected to the peer-to-peer network in such a way as to allow the public to make copies of the plaintiffs' copyrighted recordings. Through their investigator, the plaintiffs have produced evidence that the files were, in fact, available for download. They have also alleged that sound recordings are illegally copied on a large scale, supporting the inference that the defendants participated in the peer-to-peer network with the intent that other users could download from the defendants copies of the plaintiffs' copyrighted material. At least at this stage of the proceedings, that is enough. The plaintiffs have pled an actual distribution and provided some concrete evidence to support their allegation.

### **b. Whether the Distribution Right Is Limited to Physical, Tangible Objects**

Next, the movants and the EFF contend that the distribution right under 17 U.S.C. § 106(3) is limited to physical, tangible objects. By its terms, the distribution right only extends to distributions of “phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease or lending.” In turn, 17 U.S.C. § 101 defined “phonorecords” as “material objects in which sounds ... are fixed.” The movants and the EFF focus on the phrase “material object,” as well as the meaning of “sale or other transfer,” and conclude that purely electronic file sharing does not fall within the scope of the right.

The movants’ argument is sweeping, carrying substantial implications for a great deal of internet commerce—any involving computer-to-computer electronic transfers of information. Indeed, this case is an exemplar. The plaintiffs have not alleged a physical distribution. To the contrary, it is clear that their harm comes from the purely electronic copying of music files. After carefully considering the parties’ and the EFF’s arguments, the Court concludes that § 106(3) confers on copyright owners the right to control purely electronic distributions of their work.

As noted above, 17 U.S.C. § 106(3) applies to the distribution of “phonorecords.” And “phonorecords” are defined in full as follows:

‘Phonorecords’ are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term ‘phonorecords’ includes the material object in which the sounds are first fixed.

17 U.S.C. § 101. The movants and the EFF contend that the electronic distribution, if it occurred, did not involve the “distribution” of a material object “by sale or other transfer of ownership, or by rental, lease or lending,” as §§ 106(3) and 101 require. The argument has two closely related prongs—first, that no material object actually changed hands, and second, that even if it did, it was not through one of the methods of transfer enumerated in the statute.

Each of those arguments relies on an overly literal definition of “material object,” and one that ignores the phrase’s purpose in the copyright statutes. Congress intended for the copyright owner to be able to control the public distribution of items that can reproduce the artist’s sound recording. It makes no difference that the distribution occurs electronically, or that the items are electronic sequences of data rather than physical objects.

Before squarely addressing the parties’ arguments, however, the Court briefly revisits an important foundational issue—whether the electronic files at issue here can constitute “material objects” within the meaning of the copyright statutes. Doing so will help the Court explain the scope of the distribution right and frame the application of the Copyright Act to an electronic world.

#### **(1) Electronic Files Are Material Objects**

Understanding Congress’ use of “material object” requires returning to a fundamental principle of the Copyright Act of 1976. Congress drew a fundamental distinction between the “original work” which is the

product of “authorship” and the multitude of material objects in which it can be embodied. Thus, in the sense of the Copyright Act, a “book” is not a work of authorship, but is a particular kind of “copy.”

The Copyright Act thus does not use materiality in its most obvious sense—to mean a tangible object with a certain heft, like a book or compact disc. Rather, it refers to materiality as a medium in which a copyrighted work can be “fixed.”

Thus, any object in which a sound recording can be fixed is a “material object.” That includes the electronic files at issue here. When a user on a peer-to-peer network downloads a song from another user, he receives into his computer a digital sequence representing the sound recording. That sequence is magnetically encoded on a segment of his hard disk. With the right hardware and software, the downloader can use the magnetic sequence to reproduce the sound recording. The electronic file (or, perhaps more accurately, the appropriate segment of the hard disk) is therefore a “phonorecord” within the meaning of the statute.

## **(2) *The Transmission of an Electronic File Constitutes a “Distribution” Within the Meaning of § 106(3)***

The movants and the EFF present two reasons why the Court should decline to find that purely electronic transmissions are a violation of the distribution right. First, they note that the distribution right is limited to “phonorecords of the copyrighted work,” 17 U.S.C. § 106(3), and that part of the definition of “phonorecords” is that they are “material objects,” *id.* § 101. They focus on the phrase “material objects” to suggest that a copyright owner’s distribution right only extends to “tangible” objects. Because there was no exchange of tangible objects in this case—no “hand-to-hand” exchange of physical things—they argue that the plaintiffs’ distribution right was not infringed by the defendants’ actions.

The movants’ second argument focuses on a different phrase in § 106(3): “distribution” is limited to exchanges “by sale or other transfer of ownership, or by rental, lease, or lending.” They note, correctly, that an electronic download does not divest the sending computer of its file, and therefore does not implicate any ownership rights over the sound file held by the transferor. Therefore, they conclude, an electronic file does not fit within the defined limits of the distribution right.

Section 106(3) does reach this kind of transaction. First, while the statute requires that distribution be of “material objects,” there is no reason to limit “distribution” to processes in which a material object exists throughout the entire transaction—as opposed to a transaction in which a material object is created elsewhere at its finish. Second, while the statute addresses ownership, it is the newly minted ownership rights held by the transferee that concern it, not whether the transferor gives up his own.

The statute provides copyright owners with the exclusive right “to distribute ... phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending.” In turn, phonorecords are defined in part as “material objects in which sounds ... are fixed by any method.” In the sense of the Copyright Act, “material objects” should not be understood as separating tangible copies from non-tangible copies. Rather, it separates a copy from the abstract original work and from a performance of the work.

Read contextually, it is clear that this right was intended to allow the author to control the rate and terms at which copies or phonorecords of the work become available to the public. In that sense, it is closely related to the reproduction right under § 106(1), but it is not the same.

An electronic file transfer is plainly within the sort of transaction that § 106(3) was intended to reach. Indeed, electronic transfers comprise a growing part of the legitimate market for copyrighted sound recordings. What matters in the marketplace is not whether a material object “changes hands,” but whether, when the transaction is completed, the distributee has a material object. The Court therefore concludes that electronic file transfers fit within the definition of “distribution” of a phonorecord.

For similar reasons, the Court concludes that an electronic file transfer can constitute a “transfer of ownership” as that term is used in § 106(3). Since the focus of § 106(3) is the ability of the author to control the market, it is concerned with the ability of a transferor to create ownership in someone else—not the transferor’s ability simultaneously to retain his own ownership.

This conclusion is supported by a comparison to the “first sale” doctrine, codified at 17 U.S.C. § 109. The “first sale” doctrine provides that once an author has released an authorized copy or phonorecord of her work, she has relinquished all control over that particular copy or phonorecord. The person who bought the copy—the “secondary” purchaser—may sell it to whomever she pleases, and at the terms she directs. The market implications are clear. The author controls the volume of copies entering the market, but once there, he has no right to control their secondary and successive redistribution. To be sure, the author retains a certain degree of control over the secondary sale, at least to the extent that he can control that redistributions [sic] through the terms in the original sales contract. But he must bring a contract suit, not an infringement action. More often and more practically, however, the author will simply price the new copies or phonorecords to reflect the work’s value in a secondary market.

Conversely, where ownership is created through an illegal copy, the first sale doctrine does not provide a defense to a distribution suit. The distinction makes sense: where ownership is created through an illegal copy, the copyright holder has never had the chance to exercise his market rights over the copy. That is precisely the situation here.

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## Check Your Understanding – *London-Sire Recs.*

**Question 1.** How does the court in *London-Sire Recs.* respond to defendants’ argument that digital music files are not “material objects”?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-175>

**Question 2.** How does the court in *London-Sire Recs.* respond to defendants’ argument that the distribution right only extends to “actual distributions,” as opposed to merely making copies of the works “available” to the public?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=154#h5p-176>

Some things to consider when reading *Capitol Records v. ReDigi*:

1. As mentioned earlier, as a practical matter it is often difficult, if not impossible, to sell a digital work without making a copy of it, and thereby infringing the copyright owner's reproduction right. Significantly, the statutory provision which serves as the basis for copyright's "first sale" doctrine literally applies only to the distribution right, not to the reproduction right. ReDigi thought it had come up with a technical solution to this problem, and used it to establish a platform which they believed would allow owners of digital copies of music to sell their copies without liability for copyright infringement. They failed, for the reasons discussed in the opinion.
2. Why did ReDigi's first sale argument fail?
3. Can you think of a way that ReDigi might have provided a platform for the sale of digital music without incurring liability for copyright infringement?
4. What are the policy implications of this decision? Should Congress intervene by amending the copyright statute to better account for the nature of digital copyrighted works?
5. Note that the court rejects ReDigi's fair use argument. Do you have any thoughts as to whether fair use should apply in this case? The fair use doctrine will receive extensive treatment later in this casebook.

### *Capitol Records, LLC v. ReDigi Inc.*

910 F.3d 649 (2019)

LEVAL, Circuit Judge:

Defendant ReDigi, Inc. and its founders, Defendants Larry Rudolph and John Ossenmacher, appeal from the judgment of the United States District Court for the Southern District of New York in favor of Plaintiffs, Capitol Records, LLC, Capitol Christian Music Group, Inc., and Virgin Records IR Holdings, Inc. ("Plaintiffs"), finding copyright infringement. Defendants had created an Internet platform designed to enable the lawful resale, under the first sale doctrine, of lawfully purchased digital music files, and had hosted resales of such files on the platform. The district court concluded that, notwithstanding the "first sale" doctrine, codified in the Copyright Act of 1976, 17 U.S.C. § 109(a), ReDigi's Internet system version 1.0 infringed the Plaintiffs' copyrights by enabling the resale of such digital files containing sound recordings of Plaintiffs' copyrighted music. We agree with the district court that ReDigi infringed the Plaintiffs' exclusive rights under 17 U.S.C. § 106(1) to reproduce their copyrighted works. We make no decision whether ReDigi also infringed the Plaintiffs' exclusive rights under 17 U.S.C. § 106(3) to distribute their works.

#### **BACKGROUND**



## I. Facts

Plaintiffs are record companies, which own copyrights or licenses in sound recordings of musical performances. Plaintiffs distribute those sound recordings in numerous forms, of which the most familiar twenty years ago was the compact disc. Today, Plaintiffs also distribute their music in the form of digital files, which are sold to the public by authorized agent services, such as Apple iTunes, under license from Plaintiffs. Purchasers from the Apple iTunes online store download the files onto their personal computers or other devices.

ReDigi was founded by Defendants Ossenmacher and Rudolph in 2009 with the goal of creating enabling technology and providing a marketplace for the lawful resale of lawfully purchased digital music files.<sup>6</sup> Ossenmacher served as ReDigi's Chief Executive Officer and Rudolph, who spent twelve years as a Principal Research Scientist at the Massachusetts Institute of Technology, served as ReDigi's Chief Technical Officer. During the period addressed by the operative complaint, ReDigi, through its system version 1.0, hosted resales of digital music files containing the Plaintiffs' music by persons who had lawfully purchased the files from iTunes.

Considering the evidence in the light most favorable to ReDigi, ReDigi's system version 1.0 operates as follows.

1. *Music Manager*: A person who owns a digital music file lawfully purchased from iTunes and intends to employ ReDigi's system to resell it (the "user") must first download and install onto her computer ReDigi's "Music Manager" software program ("Music Manager"). Once Music Manager has been installed, it analyzes the digital file intended for resale, verifies that the file was originally lawfully purchased from iTunes, and scans it for indications of tampering. If the file was lawfully purchased, Music Manager deems it an "Eligible File" that may be resold.

2. *Data Migration*: The ReDigi user must then cause the file to be transferred to ReDigi's remote server, known as the "Cloud Locker." To effectuate this transfer, ReDigi developed a new method that functions differently from the conventional file transfer. The conventional process is to reproduce the digital file at the receiving destination so that, upon completion of the transfer, the file exists simultaneously on both the receiving device and on the device from which it was transferred. If connectivity is disrupted during such a standard transfer, the process can be repeated because the file remains intact on the sender's device.

Under ReDigi's method—which it calls "data migration"—ReDigi's software begins by breaking the digital music file into small "blocks" of data of roughly four thousand bytes in length. Once the file has been broken into blocks of data ("packets"), ReDigi's system creates a "transitory copy" of each packet in the initial purchaser's computer buffer. Upon copying (or "reading") a packet into the initial purchaser's computer buffer, ReDigi's software sends a command to delete that packet of the digital file from permanent storage on the initial purchaser's device. ReDigi's software then sends the packet to the ReDigi software to be copied into the buffer and deleted from the user's device. During the data migration process, the digital file cannot be accessed, played, or perceived. If connectivity is disrupted during the data migration process, the remnants of the digital file on the user's device are unusable, and the transfer cannot be re-initiated. In such circumstances, ReDigi (according to its brief) bears the cost of the user's loss.

Once all the packets of the source file have been transferred to ReDigi's server, the Eligible File has been

entirely removed from the user's device. The packets are then re-assembled into a complete, accessible, and playable file on ReDigi's server.

ReDigi describes its primary technological innovation using the metaphor of a train (the digital file) leaving from one station (the original purchaser's device) and arriving at its destination (in the first instance, ReDigi's server). Under either the typical method or ReDigi's method, packets are sent sequentially, such that, conceptually, "each packet is a car" moving from the source to the destination device. Once all the packets arrive at the destination device, they are reassembled into a usable file. At that moment, in a typical transfer, the entire digital file in usable form exists on both devices. ReDigi's system differs in that it effectuates a deletion of each packet from the user's device immediately after the "transitory copy" of that packet arrives in the computer's buffer (before the packet is forwarded to ReDigi's server). In other words, as each packet "leaves the station," ReDigi deletes it from the original purchaser's device such that it "no longer exists" on that device. As a result, the entire file never exists in two places at once.

After the file has reached ReDigi's server but before it has been resold, the user may continue to listen to it by streaming audio from the user's Cloud Locker on ReDigi's server. If the user later re-downloads the file from her Cloud Locker to her computer, ReDigi will delete the file from its own server.

3. *Resale*: Once an Eligible File has "migrated" to ReDigi's server, it can be resold by the user utilizing ReDigi's market function. If it is resold, ReDigi gives the new purchaser exclusive access to the file. ReDigi will (at the new purchaser's option) either download the file to the new purchaser's computer or other device (simultaneously deleting the file from its own server) or will retain the file in the new purchaser's Cloud Locker on ReDigi's server, from which the new purchaser can stream the music. ReDigi's terms of service state that digital media purchases may be streamed or downloaded only for personal use.

4. *Duplicates*: ReDigi purports to guard against a user's retention of duplicates of her digital music files after she sells the files through ReDigi. To that end, Music Manager continuously monitors the user's computer hard drive and connected devices to detect duplicates. When a user attempts to upload an Eligible File to ReDigi's server, ReDigi "prompt[s]" her to delete any pre-existing duplicates that Music Manager has detected. If ReDigi detects that the user has not deleted the duplicates, ReDigi blocks the upload of the Eligible File. After an upload is complete, Music Manager continues to search the user's connected devices for duplicates. If it detects a duplicate of a previously uploaded Eligible File, ReDigi will prompt the user to authorize ReDigi to delete that duplicate from her personal device and, if authorization is not granted, it will suspend her account.

Plaintiffs point out, and ReDigi does not dispute, that these precautions do not prevent the retention of duplicates after resale through ReDigi. Suspension of the original purchaser's ReDigi account does not negate the fact that the original purchaser has both sold and retained the digital music file after she sold it. So long as the user retains previously-made duplicates on devices not linked to the computer that hosts Music Manager, Music Manager will not detect them. This means that a user could, prior to resale through ReDigi, store a duplicate on a compact disc, thumb drive, or third-party cloud service unconnected to the computer that hosts Music Manager and access that duplicate post-resale. While ReDigi's suspension of the original purchaser's ReDigi account may be a disincentive to the retention of sold files, it does not prevent the user from retaining sold files.

## II. Proceedings Below

On January 6, 2012, Plaintiffs brought this action, originally solely against ReDigi, Inc., alleging *inter alia*, that in the operation of ReDigi's system version 1.0, it infringed Plaintiffs' copyrights by unauthorized reproduction and distribution of Plaintiffs' copyrighted works. The parties cross-moved for summary judgment. On March 30, 2013, the district court granted partial summary judgment in Plaintiffs' favor finding infringement. Plaintiffs subsequently filed a first amended complaint, adding Ossenmacher and Rudolph as individual defendants. On November 2, 2015, the parties proposed a joint stipulation in which Ossenmacher and Rudolph waived their right to contest liability independent of ReDigi, Inc. On June 6, 2016, the district court entered a stipulated final judgment awarding damages to Plaintiffs in the amount of three million five hundred thousand dollars (\$3,500,000) and permanently enjoining Defendants from operating the ReDigi system. In the stipulation, Defendants reserved the right to appeal solely from the district court's finding of liability for reproduction and distribution as set forth in the summary judgment order. Defendants timely filed notice of this appeal on July 1, 2016. On August 11, 2016, the appeal was stayed as a result of the Defendants' bankruptcy proceedings in the United States Bankruptcy Court for the Southern District of Florida. The stay was lifted on December 12, 2016.

## DISCUSSION

### I. The First Sale Doctrine

The primary issue on appeal is whether ReDigi's system version 1.0 lawfully enables resales of its users' digital files. Sections 106(1) and (3) of the Copyright Act respectively grant the owner of a copyright the exclusive right to control the reproduction and the distribution of the copyrighted work. 17 U.S.C. § 106(1) & (3). Under the first sale doctrine, codified in § 109(a), the rights holder's control over the distribution of any particular copy or phonorecord that was lawfully made effectively terminates when that copy or phonorecord is distributed to its first recipient. Section 109(a) provides:

“Notwithstanding the provisions of section 106(3), the owner of a particular copy or phonorecord lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.”

17 U.S.C. § 109(a).

Under this provision, it is well established that the lawful purchaser of a copy of a book is free to resell, lend, give, or otherwise transfer that copy without violating the copyright holder's exclusive right of distribution. The copy so resold or re-transferred may be re-transferred again and again without violating the exclusive distribution right. See *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519 (2013); *Quality King Distribs. v. L'Anza Research Int'l, Inc.*, 523 U.S. 135 (1998); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339 (1908); see also 4 Patry on Copyright § 13:15 (“Placing a lawful copy of a work in commerce exhausts the distribution and display rights with respect to that particular copy ....”). It is undisputed that one who owns a digital file from iTunes of music that is fixed in a material object qualifies as “the owner of a particular ... phonorecord lawfully made,” 17 U.S.C. § 109(a), and is thus entitled under § 109(a) “to sell or otherwise dispose of the possession of that ...

phonorecord,” *id.* (emphasis added), without violating § 106(3). On the other hand, § 109(a) says nothing about the rights holder’s control under § 106(1) over reproduction of a copy or phonorecord.

The district court found that resales through ReDigi were infringing for two reasons. The first reason was that, in the course of ReDigi’s transfer, the phonorecord has been reproduced in a manner that violates the Plaintiffs’ exclusive control of reproduction under § 106(1); the second was that the digital files sold through ReDigi, being unlawful reproductions, are not subject to the resale right established by § 109(a), which applies solely to a “particular ... phonorecord ... lawfully made.” 17 U.S.C. § 109(a). We agree with the first reason underlying the district court’s finding of infringement. As that is a sufficient reason for affirmance of the judgment, we make no ruling on the district court’s second reason.

ReDigi argues on appeal that its system effectuates transfer of the particular digital file that the user lawfully purchased from iTunes, that it should not be deemed to have reproduced that file, and that it should therefore come within the protection of 17 U.S.C. § 109(a). ReDigi makes two primary contentions in support of these arguments.

First, ReDigi asserts—as it must for its first sale argument to succeed—that the digital files should be considered “material objects” and therefore, under 17 U.S.C. § 101’s definition of “phonorecords” as “material objects,” should qualify as “phonorecords” eligible for the protection of § 109(a).

Second, ReDigi argues that from a technical standpoint, its process should not be seen as making a reproduction. ReDigi emphasizes that its system simultaneously “causes [packets] to be removed from the ... file remaining in the consumer’s computer” as those packets are copied into the computer buffer and then transferred to the ReDigi server, so that the complete file never exists in more than one place at the same time, and the “file on the user’s machine continually shrinks in size while the file on the server grows in size.” ReDigi points out that the “sum of the size of the data” stored in the original purchaser’s computer and in ReDigi’s server never exceeds the “size of the original file,” which, according to ReDigi, “confirms that no reproductions are made during the transfer process.”

As for ReDigi’s first argument, that the digital file it transfers is a phonorecord protected by § 109(a), we do not decide this issue because we find that ReDigi effectuates an unlawful reproduction even if the digital file itself qualifies as a phonorecord.

As for ReDigi’s second argument, we reject it for the following reasons. The Copyright Act defines phonorecords as “material objects in which sounds ... are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 101. Accordingly, when the purchaser of a digital music file from iTunes possesses that file, embodied “for a period of more than transitory duration” in a computer or other physical storage device, *Cartoon Network LP v. CSC Holdings, Inc.*, 536 F.3d 121, 127 (2d Cir. 2008) (quoting 17 U.S.C. § 101), that device—or at least the portion of it in which the digital music file is fixed (*e.g.*, the location on the hard drive)—becomes a phonorecord. See *London-Sire Records, Inc. v. Doe*, 542 F.Supp.2d 153, 171 (D. Mass. 2008) (holding that the segment of a hard disc on which an electronic music file is encoded is a “phonorecord” under the Copyright Act). In the course of transferring a digital music file from an original purchaser’s computer, through ReDigi, to a new purchaser, the digital file is first received and stored on ReDigi’s server and then, at the new purchaser’s option, may

also be subsequently received and stored on the new purchaser's device. At each of these steps, the digital file is fixed in a new material object "for a period of more than transitory duration." The fixing of the digital file in ReDigi's server, as well as in the new purchaser's device, creates a new phonorecord, which is a reproduction. ReDigi version 1.0's process for enabling the resale of digital files thus inevitably involves the creation of new phonorecords by reproduction, even if the standalone digital file is deemed to be a phonorecord.

As for the argument that, as ReDigi copies a packet of data, it deletes the equivalent packet in the user's device so that the amount of data extant in the transfer process remains constant, this does not rebut or nullify the fact that the eventual receipt and storage of that file in ReDigi's server, as well as in the new purchaser's device (at his option), does involve the making of new phonorecords. Unless the creation of those new phonorecords is justified by the doctrine of fair use, which we discuss and reject in a later portion of this opinion, the creation of such new phonorecords involves unauthorized reproduction, which is not protected, or even addressed, by § 109(a).

ReDigi next argues that, in the course of transferring a user's file to ReDigi's own server, and to the resale purchaser's device, ReDigi sees to it that all of the original purchaser's preexisting duplicates are destroyed. As an initial matter, as noted above, ReDigi here overclaims. It does not ensure against retention of duplicate phonorecords created by the original owner. In addition, even if ReDigi effectively compensated (by offsetting deletions) for the making of unauthorized reproductions in violation of the rights holder's exclusive reproduction right under § 106(1), nonetheless ReDigi's process itself involves the making of unauthorized reproductions that infringe the exclusive reproduction right unless justified under fair use.<sup>7</sup> We are not free to disregard the terms of the statute merely because the entity performing an unauthorized reproduction makes efforts to nullify its consequences by the counterbalancing destruction of the preexisting phonorecords.

Finally, ReDigi argues that the district court's conclusion makes no sense because it would "require a customer to sell her [valuable] computer in order to be able to sell a[n] ... iTunes music file" that was lawfully purchased for under \$1.00. Of course it would make no economic sense for a customer to sell her computer or even a \$5.00 thumb drive in order to sell "a[n] ... iTunes music file" purchased for \$1.00. But ReDigi far overstates its economic argument when it asserts that the "district court's ruling ... eliminat[es] any meaningful competition from resellers" as "no secondary market ... can ever develop if consumers are required to give away their computer hard disks as part of any resale." A secondary market can readily be imagined for first purchasers who cost-effectively place 50 or 100 (or more) songs on an inexpensive device such as a thumb drive and sell it. See 4 Patry on Copyright § 13:23 (observing that § 109 permits the sale of an iPod that contains lawfully made digital music files). Furthermore, other technology may exist or be developed that could lawfully effectuate a digital first sale.

We conclude that the operation of ReDigi version 1.0 in effectuating a resale results in the making of at least one unauthorized reproduction. Unauthorized reproduction is not protected by § 109(a). It violates the rights holder's exclusive reproduction rights under § 106(1) unless excused as fair use. For reasons explained below, we conclude that the making of such reproductions is not a fair use. ....

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## Check Your Understanding – *Capitol Records*

**Question 1.** What were the developers of ReDigi attempting to accomplish?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-177>

**Question 2.** Why didn't the first sale doctrine shield ReDigi from liability for copyright infringement?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-178>

### D. The Public Performance and Public Display Rights

The Copyright Act also grants copyright owners the exclusive right to **publicly perform** and/or **display** their copyrighted works.<sup>8</sup> 17 U.S.C. § 106(4–6). Section 101 sets forth the following pertinent definitions.

To “display” a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.

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

To perform or display a work “publicly” means—

- (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or
- (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

To “transmit” a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

Thus, a public performance (or display) can be accomplished either live and in-person, or by transmission over the airwaves or through the Internet.

Unlike the reproduction, derivative works, and distribution rights, the public performance and public display rights are only available for certain categories of works. For example, architectural works are afforded neither public performance nor public display rights. Sound recordings are a unique case—they are not included within the categories of works listed in § 106(4), the statutory basis for the general public performance right, but § 106(6) sets forth a digital public performance right for sound recordings. As a consequence, the live performance of recorded music (e.g., playing recorded music at a bar or sporting event) cannot infringe copyright in the sound recording, nor would playing the recorded music over conventional broadcast radio (which is not digital). However, streaming the song over the Internet is digital and could infringe the digital public performance right in the sound recording. Note that playing the music at a bar or sporting event, or over the conventional radio waves, would generally constitute public performances under § 106(4), and thus could infringe the copyright in the musical work itself (as opposed to the sound recording), since musical works are included in § 106(4).

The public display right (but not the public performance right) is limited by § 109(c), which is related to the first sale doctrine:

Notwithstanding the provisions of section 106(5), the owner of a particular copy lawfully made under this title, or any person authorized by such owner, is entitled, without the authority of the copyright owner, to display that copy publicly, either directly or by the projection of no more than one image at a time, to viewers present at the place where the copy is located.

As a consequence, the owner of an authorized copy of a painting or sculpture, such as a museum or place of business, is free to display the work to the public, without risking liability for infringement of the copyright owner's public display right. But can the museum display, reproduce, or distribute an unauthorized photograph of the work?

Some things to consider when reading *Columbia Pictures v. Aveco*:

1. Owners of copyrights in motion pictures successfully argue in this case that the defendant has infringed the public performance right by renting video cassettes of the movie in conjunction with a private room in which the individuals who have rented the movie can watch it in private. Does this seem like a “public performance” to you?
2. Note that the copyright owner must not only prove there was a “performance,” but also that the “performance” was “public.” Under the 1976 Act it is not necessary to prove that the performance was for “profit.”
3. Although it was the customers who actually “performed” the movies, the court found that the defendant was liable for “authorizing” these performances.
4. Would a hotel be liable for copyright infringement if it provided video cassette players in its guest rooms and rented video cassettes of copyrighted movies to hotel guests?

# *Columbia Pictures Indus., Inc. v. Aveco, Inc.*

800 F.2d 59 (3d Cir. 1986)

STAPLETON, Circuit Judge.

Plaintiffs, appellees in this action, are producers of motion pictures (“Producers”) and bring this copyright infringement action against the defendant, Aveco, Inc. Producers claim that Aveco’s business, which includes renting video cassettes of motion pictures in conjunction with rooms in which they may be viewed, violates their exclusive rights under the Copyright Act of 1976, 17 U.S.C. § 101 et seq. The district court agreed and we affirm.

## I

Among their other operations, Producers distribute video cassette copies of motion pictures in which they own registered copyrights. They do so knowing that many retail purchasers of these video cassettes, including Aveco, rent them to others for profit. Aveco also makes available private rooms of various sizes in which its customers may view the video cassettes that they have chosen from Aveco’s offerings. For example, at one location, Lock Haven, Aveco has thirty viewing rooms, each containing seating, a video cassette player, and television monitor. Aveco charges a rental fee for the viewing room that is separate from the charge for the video cassette rental.

Customers of Aveco may (1) rent a room and also rent a video cassette for viewing in that room, (2) rent a room and bring a video cassette obtained elsewhere to play in the room, or (3) rent a video cassette for out-of-store viewing.

Aveco has placed its video cassette players inside the individual viewing rooms and, subject to a time limitation, allows the customer complete control over the playing of the video cassettes. Customers operate the video cassette players in each viewing room and Aveco’s employees assist only upon request. Each video cassette may be viewed only from inside the viewing room, and is not transmitted beyond the particular room in which it is being played. Aveco asserts that it rents its viewing rooms to individual customers who may be joined in the room only by members of their families and social acquaintances. Furthermore, Aveco’s stated practice is not to permit unrelated groups of customers to share a viewing room while a video cassette is being played. For purposes of this appeal we assume the veracity of these assertions.

## II

As the owners of copyrights in motion pictures, Producers possess statutory rights under the Copyright Act of 1976. Producers’ claim is based on the alleged infringement of their “exclusive right ... to perform the copyrighted work publicly” and to “authorize” such performances. Producers assert that Aveco, by renting its viewing rooms to the public for the purpose of watching Producers’ video cassettes, is authorizing the public performance of copyrighted motion pictures.

Our analysis begins with the language of the Act. We first observe that there is no question that “performances” of copyrighted materials take place at Aveco’s stores. “To perform” a work is defined in the Act as, “in the case of a motion picture or other audiovisual work, to show its images in any sequence



or to make the sounds accompanying it audible.” Section 101. As the House Report notes, this definition means that an individual is performing a work whenever he does anything by which the work is transmitted, repeated, or made to recur.

Producers do not argue that Aveco itself performs the video cassettes. They acknowledge that under the Act Aveco’s customers are the ones performing the works, for it is they who actually place the video cassette in the video cassette player and operate the controls. As we said in *Columbia Pictures Industries v. Redd Horne*, 749 F.2d 154, 158 (3d Cir.1984), “[p]laying a video cassette ... constitute[s] a performance under Section 101.” However, if there is a public performance, Aveco may still be responsible as an infringer even though it does not actually operate the video cassette players. In granting copyright owners the exclusive rights to “authorize” public performances, Congress intended “to avoid any questions as to the liability of contributory infringers. For example, a person who lawfully acquires an authorized copy of a motion picture would be an infringer if he or she engages in the business of renting it to others for purposes of an unauthorized public performance.” In our opinion, this rationale applies equally to the person who knowingly makes available other requisites of a public performance. Accordingly, we agree with the district court that Aveco, by enabling its customers to perform the video cassettes in the viewing rooms, authorizes the performances.

The performances of Producers’ motion pictures at Aveco’s stores infringe their copyrights, however, only if they are “public.” The copyright owners’ rights do not extend to control over private performances. The Act defines a public performance.

To perform ... a work “publicly” means—

- (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances are gathered; or
- (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same or at different times.

17 U.S.C. § 101.

We recently parsed this definition in *Redd Horne*, a case similar to the one at bar. The principal factual distinction is that in Redd Horne’s operation, known as Maxwell’s Video Showcase, Ltd. (“Maxwell’s”), the video cassette players were located in the stores’ central areas, not in each individual screening room. Maxwell’s customers would select a video cassette from Maxwell’s stock and rent a room which they entered to watch the motion picture on a television monitor. A Maxwell’s employee would play the video cassette for the customers in one of the centrally-located video cassette players and transmit the performance to the monitor located in the room. Thus, unlike Aveco’s customers, Maxwell’s clientele had no control over the video cassette players.

The *Redd Horne* court began its analysis with the observation that the two components of clause (1) of the definition of a public performance are disjunctive. “The first category is self-evident; it is ‘a place open to

the public.’ The second category, commonly referred to as a semi-public place, is determined by the size and composition of the audience.”

The court then concluded that the performances were occurring at a place open to the public, which it found to be the entire store, including the viewing rooms.

Any member of the public can view a motion picture by paying the appropriate fee. The services provided by Maxwell’s are essentially the same as a movie theatre, with the additional feature of privacy. The relevant “place” within the meaning of Section 101 is each of Maxwell’s two stores, not each individual booth within each store. Simply because the cassettes can be viewed in private does not mitigate the essential fact that Maxwell’s is unquestionably open to the public.

749 F.2d at 159.

The *Redd Horne* court reached this conclusion despite the fact that when a customer watched a movie at Maxwell’s, the viewing room was closed to other members of the public. Nevertheless, Aveco asserts that factual differences between Maxwell’s stores and its own require a different result in this case.

Aveco first observes that when Maxwell’s employees “performed” the video cassettes, they did so in a central location, the store’s main area. This lobby was undeniably “open to the public.” Aveco suggests that, in *Redd Horne*, the location of the customers in the private rooms was simply irrelevant, for the *performers* were in a public place, the lobby. In the case at bar, Aveco continues, its employees do not perform anything, the customers do. Unlike Maxwell’s employees located in the public lobby, Aveco’s customers are in private screening rooms. Aveco argues that while these viewing rooms are available to anyone for rent, they are private during each rental period, and therefore, not “open to the public.” The performance—the playing of the video cassette—thus occurs not in the public lobby, but in the private viewing rooms.

We disagree. The necessary implication of Aveco’s analysis is that *Redd Horne* would have been decided differently had Maxwell’s located its video cassette players in a locked closet in the back of the stores. We do not read *Redd Horne* to adopt such an analysis. The Copyright Act speaks of performances at a place open to the public. It does not require that the public place be actually crowded with people. A telephone booth, a taxi cab, and even a pay toilet are commonly regarded as “open to the public,” even though they are usually occupied only by one party at a time. Our opinion in *Redd Horne* turned not on the precise whereabouts of the video cassette players, but on the nature of Maxwell’s stores. Maxwell’s, like Aveco, was willing to make a viewing room and video cassette available to any member of the public with the inclination to avail himself of this service. It is this availability that made Maxwell’s stores public places, not the coincidence that the video cassette players were situated in the lobby. Because we find *Redd Horne* indistinguishable from the case at bar, we find that Aveco’s operations constituted an authorization of public performances of Producers’ copyrighted works.

Aveco’s reliance on the first sale doctrine is likewise misplaced. The first sale doctrine, codified at 17 U.S.C. § 109(a), prevents the copyright owner from controlling future transfers of a particular copy of a copyrighted work after he has transferred its “material ownership” to another. Accordingly, under the first sale doctrine, Producers cannot claim that Aveco’s rentals or sales of lawfully acquired video cassettes infringe on their exclusive rights to vend those cassettes.

The rights protected by copyright are divisible and the waiver of one does not necessarily waive any of the others. In particular, the transfer of ownership in a particular copy of a work does not affect Producers' Section 106(4) exclusive rights to do and to authorize public performances. It therefore cannot protect one who is infringing Producers' Section 106(4) rights by the public performance of the copyrighted work.

### III

We therefore conclude that Aveco, by renting its rooms to members of the general public in which they may view performances of Producers' copyrighted video cassettes, obtained from any source, has authorized public performances of those cassettes. This is a violation of Producers' Section 106 rights and is appropriately enjoined. We therefore will affirm the order of the district court.

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## Check Your Understanding – *Columbia Pictures v. Aveco*

**Question 1.** True or false: The court in *Columbia Pictures* held that when the defendant's customers played a video cassette, it was the defendant who was "performing" the copyrighted movie, not the customer.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-179>

**Question 2.** Why did the *Columbia Pictures* court conclude that the performance of the copyrighted movies was "public"?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-180>

Some things to consider when reading *Cartoon Network*:

1. Bear in mind the significance of the fact that "plaintiffs alleged theories only of direct infringement, not contributory infringement, and defendants waived any defense based on fair use." Why do you think the parties decided to waive secondary liability and fair use arguments?
2. Note that there are three distinct allegations of direct copyright infringement by the defendant Cablevision (a cable TV company): (1) infringement of the reproduction right based on the copying of

- “buffer data,” (2) infringement of the reproduction right based on “playback copies,” and (3) infringement of the public performance right based on transmission of the playback copies. Why did the district court find infringement, and why did the Court of Appeals reverse?
3. What important questions does this decision leave unanswered?

*Cartoon Network LP, LLLP v. CSC Holdings, Inc.*

536 F.3d 121 (2d Cir. 2008)

JOHN M. WALKER, JR., Circuit Judge:

Defendant–Appellant Cablevision Systems Corporation (“Cablevision”) wants to market a new “Remote Storage” Digital Video Recorder system (“RS–DVR”), using a technology akin to both traditional, set-top digital video recorders, like TiVo (“DVRs”), and the video-on-demand (“VOD”) services provided by many cable companies. Plaintiffs–Appellees produce copyrighted movies and television programs that they provide to Cablevision pursuant to numerous licensing agreements. They contend that Cablevision, through the operation of its RS–DVR system as proposed, would directly infringe their copyrights both by making unauthorized reproductions, and by engaging in public performances, of their copyrighted works. The material facts are not in dispute. Because we conclude that Cablevision would not directly infringe plaintiffs’ rights under the Copyright Act by offering its RS–DVR system to consumers, we reverse the district court’s award of summary judgment to plaintiffs, and we vacate its injunction against Cablevision.

**BACKGROUND**

Today’s television viewers increasingly use digital video recorders (“DVRs”) instead of video cassette recorders (“VCRs”) to record television programs and play them back later at their convenience. DVRs generally store recorded programming on an internal hard drive rather than a cassette. But, as this case demonstrates, the generic term “DVR” actually refers to a growing number of different devices and systems. Companies like TiVo sell a stand-alone DVR device that is typically connected to a user’s cable box and television much like a VCR. Many cable companies also lease to their subscribers “set-top storage DVRs,” which combine many of the functions of a standard cable box and a stand-alone DVR in a single device.

In March 2006, Cablevision, an operator of cable television systems, announced the advent of its new “Remote Storage DVR System.” As designed, the RS–DVR allows Cablevision customers who do not have a stand-alone DVR to record cable programming on central hard drives housed and maintained by Cablevision at a “remote” location. RS–DVR customers may then receive playback of those programs through their home television sets, using only a remote control and a standard cable box equipped with the RS–DVR software. Cablevision notified its content providers, including plaintiffs, of its plans to offer RS–DVR, but it did not seek any license from them to operate or sell the RS–DVR.

Plaintiffs, which hold the copyrights to numerous movies and television programs, sued Cablevision for declaratory and injunctive relief. They alleged that Cablevision’s proposed operation of the RS–DVR would directly infringe their exclusive rights to both reproduce and publicly perform their copyrighted works.

Critically for our analysis here, plaintiffs alleged theories only of direct infringement, not contributory infringement, and defendants waived any defense based on fair use.

Ultimately, the United States District Court for the Southern District of New York (Denny Chin, *Judge*), awarded summary judgment to the plaintiffs and enjoined Cablevision from operating the RS-DVR system without licenses from its content providers.

### **I. Operation of the RS-DVR System**

Cable companies like Cablevision aggregate television programming from a wide variety of “content providers”—the various broadcast and cable channels that produce or provide individual programs—and transmit those programs into the homes of their subscribers via coaxial cable. At the outset of the transmission process, Cablevision gathers the content of the various television channels into a single stream of data. Generally, this stream is processed and transmitted to Cablevision’s customers in real time. Thus, if a Cartoon Network program is scheduled to air Monday night at 8pm, Cartoon Network transmits that program’s data to Cablevision and other cable companies nationwide at that time, and the cable companies immediately re-transmit the data to customers who subscribe to that channel.

Under the new RS-DVR, this single stream of data is split into two streams. The first is routed immediately to customers as before. The second stream flows into a device called the Broadband Media Router (“BMR”), which buffers the data stream, reformats it, and sends it to the “Arroyo Server,” which consists, in relevant part, of two data buffers and a number of high-capacity hard disks. The entire stream of data moves to the first buffer (the “primary ingest buffer”), at which point the server automatically inquires as to whether any customers want to record any of that programming. If a customer has requested a particular program, the data for that program move from the primary buffer into a secondary buffer, and then onto a portion of one of the hard disks allocated to that customer. As new data flow into the primary buffer, they overwrite a corresponding quantity of data already on the buffer. The primary ingest buffer holds no more than 0.1 seconds of each channel’s programming at any moment. Thus, every tenth of a second, the data residing on this buffer are automatically erased and replaced. The data buffer in the BMR holds no more than 1.2 seconds of programming at any time. While buffering occurs at other points in the operation of the RS-DVR, only the BMR buffer and the primary ingest buffer are utilized absent any request from an individual subscriber.

As the district court observed, “the RS-DVR is not a single piece of equipment,” but rather “a complex system requiring numerous computers, processes, networks of cables, and facilities staffed by personnel twenty-four hours a day and seven days a week.” To the customer, however, the processes of recording and playback on the RS-DVR are similar to that of a standard set-top DVR. Using a remote control, the customer can record programming by selecting a program in advance from an on-screen guide, or by pressing the record button while viewing a given program. A customer cannot, however, record the earlier portion of a program once it has begun. To begin playback, the customer selects the show from an on-screen list of previously recorded programs. The principal difference in operation is that, instead of sending signals from the remote to an on-set box, the viewer sends signals from the remote, through the cable, to the Arroyo Server at Cablevision’s central facility. In this respect, RS-DVR more closely resembles a VOD service, whereby a cable subscriber uses his remote and cable box to request transmission of content, such as a movie, stored on computers at the cable company’s facility. But unlike a VOD service, RS-DVR users can only play content that they previously requested to be recorded.

Cablevision has some control over the content available for recording: a customer can only record programs on the channels offered by Cablevision (assuming he subscribes to them). Cablevision can also modify the system to limit the number of channels available and considered doing so during development of the RS-DVR.

## **II. The District Court's Decision**

In the district court, plaintiffs successfully argued that Cablevision's proposed system would directly infringe their copyrights in three ways. First, by briefly storing data in the primary ingest buffer and other data buffers integral to the function of the RS-DVR, Cablevision would make copies of protected works and thereby directly infringe plaintiffs' exclusive right of reproduction under the Copyright Act. Second, by copying programs onto the Arroyo Server hard disks (the "playback copies"), Cablevision would again directly infringe the reproduction right. And third, by transmitting the data from the Arroyo Server hard disks to its RS-DVR customers in response to a "playback" request, Cablevision would directly infringe plaintiffs' exclusive right of public performance. Agreeing with all three arguments, the district court awarded summary declaratory judgment to plaintiffs and enjoined Cablevision from operating the RS-DVR system without obtaining licenses from the plaintiff copyright holders.

## **DISCUSSION**

Section 106 of the Copyright Act grants copyright holders a bundle of exclusive rights. This case implicates two of those rights: the right "to reproduce the copyrighted work in copies," and the right "to perform the copyrighted work publicly." 17 U.S.C. § 106(1), (4). As discussed above, the district court found that Cablevision infringed the first right by 1) buffering the data from its programming stream and 2) copying content onto the Arroyo Server hard disks to enable playback of a program requested by an RS-DVR customer. In addition, the district court found that Cablevision would infringe the public performance right by transmitting a program to an RS-DVR customer in response to that customer's playback request. We address each of these three allegedly infringing acts in turn.

### **I. The Buffer Data**

It is undisputed that Cablevision, not any customer or other entity, takes the content from one stream of programming, after the split, and stores it, one small piece at a time, in the BMR buffer and the primary ingest buffer. As a result, the information is buffered before any customer requests a recording, and would be buffered even if no such request were made. The question is whether, by buffering the data that make up a given work, Cablevision "reproduce[s]" that work "in copies," 17 U.S.C. § 106(1), and thereby infringes the copyright holder's reproduction right.

"Copies," as defined in the Copyright Act, "are material objects ... in which a work is fixed by any method ... and from which the work can be ... reproduced." *Id.* § 101. The Act also provides that a work is " 'fixed' in a tangible medium of expression when its embodiment ... is sufficiently permanent or stable to permit it to be ... reproduced ... for a period of more than transitory duration." *Id.* (emphasis added). We believe that this language plainly imposestwo distinct but related requirements: the work must be embodied in a medium, i.e., placed in a medium such that it can be perceived, reproduced, etc., from that medium (the "embodiment requirement"), and it must remain thus embodied "for a period of more than transitory duration" (the

“duration requirement”). Unless both requirements are met, the work is not “fixed” in the buffer, and, as a result, the buffer data is not a “copy” of the original work whose data is buffered.

The district court mistakenly limited its analysis primarily to the embodiment requirement. As a result of this error, once it determined that the buffer data was “[c]learly ... capable of being reproduced,” i.e., that the work was embodied in the buffer, the district court concluded that the work was therefore “fixed” in the buffer, and that a copy had thus been made. In doing so, it relied on a line of cases beginning with *MAI Systems Corp. v. Peak Computer Inc.*, 991 F.2d 511 (9th Cir.1993).

The district court’s reliance on cases like *MAI Systems* is misplaced. In general, those cases conclude that an alleged copy is fixed without addressing the duration requirement; it does not follow, however, that those cases assume, much less establish, that such a requirement does not exist. Indeed, the duration requirement, by itself, was not at issue in *MAI Systems* and its progeny. As a result, they do not speak to the issues squarely before us here: If a work is only “embodied” in a medium for a period of transitory duration, can it be “fixed” in that medium, and thus a copy? And what constitutes a period “of more than transitory duration”?

In *MAI Systems*, defendant Peak Computer, Inc., performed maintenance and repairs on computers made and sold by MAI Systems. In order to service a customer’s computer, a Peak employee had to operate the computer and run the computer’s copyrighted operating system software. The issue in *MAI Systems* was whether, by loading the software into the computer’s RAM, the repairman created a “copy” as defined in § 101. The resolution of this issue turned on whether the software’s embodiment in the computer’s RAM was “fixed,” within the meaning of the same section. The Ninth Circuit concluded that

by showing that Peak loads the software into the RAM and is then able to view the system error log and diagnose the problem with the computer, MAI has adequately shown that the representation created in the RAM is “sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”

The *MAI Systems* court referenced the “transitory duration” language but did not discuss or analyze it. This is unsurprising, because it seems fair to assume that in these cases the program was embodied in the RAM for at least several minutes.

Accordingly, we construe *MAI Systems* and its progeny as holding that loading a program into a computer’s RAM can result in copying that program. We do not read *MAI Systems* as holding that, as a matter of law, loading a program into a form of RAM always results in copying. Such a holding would read the “transitory duration” language out of the definition, and we do not believe our sister circuit would dismiss this statutory language without even discussing it. It appears the parties in *MAI Systems* simply did not dispute that the duration requirement was satisfied; this line of cases simply concludes that when a program is loaded into RAM, the embodiment requirement is satisfied—an important holding in itself, and one we see no reason to quibble with here.

In sum, no case law or other authority dissuades us from concluding that the definition of “fixed” imposes both an embodiment requirement and a duration requirement. We now turn to whether, in this case, those requirements are met by the buffer data.

Cablevision does not seriously dispute that copyrighted works are “embodied” in the buffer. Data in the BMR buffer can be reformatted and transmitted to the other components of the RS-DVR system. Data in the primary ingest buffer can be copied onto the Arroyo hard disks if a user has requested a recording of that data. Thus, a work’s “embodiment” in either buffer “is sufficiently permanent or stable to permit it to be perceived, reproduced,” (as in the case of the ingest buffer) “or otherwise communicated” (as in the BMR buffer). 17 U.S.C. § 101.

Does any such embodiment last “for a period of more than transitory duration”? No bit of data remains in any buffer for more than a fleeting 1.2 seconds. And unlike the data in cases like *MAI Systems*, which remained embodied in the computer’s RAM memory until the user turned the computer off, each bit of data here is rapidly and automatically overwritten as soon as it is processed. While our inquiry is necessarily fact-specific, and other factors not present here may alter the duration analysis significantly, these facts strongly suggest that the works in this case are embodied in the buffer for only a “transitory” period, thus failing the duration requirement.

Given that the data reside in no buffer for more than 1.2 seconds before being automatically overwritten, and in the absence of compelling arguments to the contrary, we believe that the copyrighted works here are not “embodied” in the buffers for a period of more than transitory duration, and are therefore not “fixed” in the buffers. Accordingly, the acts of buffering in the operation of the RS-DVR do not create copies, as the Copyright Act defines that term.

## **II. Direct Liability for Creating the Playback Copies**

In most copyright disputes, the allegedly infringing act and the identity of the infringer are never in doubt. These cases turn on whether the conduct in question does, in fact, infringe the plaintiff’s copyright. In this case, however, the core of the dispute is over the authorship of the infringing conduct. After an RS-DVR subscriber selects a program to record, and that program airs, a copy of the program—a copyrighted work—resides on the hard disks of Cablevision’s Arroyo Server, its creation unauthorized by the copyright holder. The question is *who* made this copy. If it is Cablevision, plaintiffs’ theory of direct infringement succeeds; if it is the customer, plaintiffs’ theory fails because Cablevision would then face, at most, secondary liability, a theory of liability expressly disavowed by plaintiffs.

Few cases examine the line between direct and contributory liability. Both parties cite a line of cases beginning with *Religious Technology Center v. Netcom On-Line Communication Services*, 907 F.Supp. 1361 (N.D.Cal.1995). In *Netcom*, a third-party customer of the defendant Internet service provider (“ISP”) posted a copyrighted work that was automatically reproduced by the defendant’s computer. The district court refused to impose direct liability on the ISP, reasoning that “[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a third party.” Recently, the Fourth Circuit endorsed the *Netcom* decision, noting that

to establish *direct* liability under ... the Act, something more must be shown than mere ownership of a machine used by others to make illegal copies. There must be actual infringing conduct with a nexus sufficiently close and causal to the illegal copying that one could conclude that the machine owner himself trespassed on the exclusive domain of the copyright owner.”



*CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 550 (4th Cir.2004).

When there is a dispute as to the author of an allegedly infringing instance of reproduction, Netcom and its progeny direct our attention to the volitional conduct that causes the copy to be made. There are only two instances of volitional conduct in this case: Cablevision's conduct in designing, housing, and maintaining a system that exists only to produce a copy, and a customer's conduct in ordering that system to produce a copy of a specific program. In the case of a VCR, it seems clear—and we know of no case holding otherwise—that the operator of the VCR, the person who actually presses the button to make the recording, supplies the necessary element of volition, not the person who manufactures, maintains, or, if distinct from the operator, owns the machine. We do not believe that an RS-DVR customer is sufficiently distinguishable from a VCR user to impose liability as a direct infringer on a different party for copies that are made automatically upon that customer's command.

The district court found Cablevision analogous to a copy shop that makes course packs for college professors. In the leading case involving such a shop, for example, “[t]he professor [gave] the copyshop the materials of which the coursepack [was] to be made up, and the copyshop [did] the rest.” *Princeton Univ. Press v. Mich. Document Servs.*, 99 F.3d 1381, 1384 (6th Cir.1996) (en banc). There did not appear to be any serious dispute in that case that the shop itself was directly liable for reproducing copyrighted works. The district court here found that Cablevision, like this copy shop, would be “doing” the copying, albeit “at the customer's behest.

But because volitional conduct is an important element of direct liability, the district court's analogy is flawed. In determining who actually “makes” a copy, a significant difference exists between making a request to a human employee, who then volitionally operates the copying system to make the copy, and issuing a command directly to a system, which automatically obeys commands and engages in no volitional conduct. In cases like *Princeton University Press*, the defendants operated a copying device and sold the product they made using that device. Here, by selling access to a system that automatically produces copies on command, Cablevision more closely resembles a store proprietor who charges customers to use a photocopier on his premises, and it seems incorrect to say, without more, that such a proprietor “makes” any copies when his machines are actually operated by his customers.

The district court also emphasized Cablevision's “unfettered discretion in selecting the programming that it would make available for recording.” This conduct is indeed more proximate to the creation of illegal copying than, say, operating an ISP or opening a copy shop, where all copied content was supplied by the customers themselves or other third parties. Nonetheless, we do not think it sufficiently proximate to the copying to displace the customer as the person who “makes” the copies when determining liability under the Copyright Act. Cablevision, we note, also has subscribers who use home VCRs or DVRs (like TiVo), and has significant control over the content recorded by these customers. But this control is limited to the channels of programming available to a customer and not to the programs themselves. Cablevision has no control over what programs are made available on individual channels or when those programs will air, if at all. In this respect, Cablevision possesses far less control over recordable content than it does in the VOD context, where it actively selects and makes available beforehand the individual programs available for viewing. For these reasons, we are not inclined to say that Cablevision, rather than the user, “does” the copying produced by the RS-DVR system. As a result, we find that the district court erred in concluding that Cablevision, rather than its RS-DVR customers, makes the copies carried out by the RS-DVR system.

### III. Transmission of RS-DVR Playback

Plaintiffs' final theory is that Cablevision will violate the Copyright Act by engaging in unauthorized public performances of their works through the playback of the RS-DVR copies. The Act grants a copyright owner the exclusive right, "in the case of ... motion pictures and other audiovisual works, to perform the copyrighted work publicly." 17 U.S.C. § 106(4). Section 101, the definitional section of the Act, explains that

[t]o perform or display a work "publicly" means (1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or (2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

The parties agree that this case does not implicate clause (1). Accordingly, we ask whether these facts satisfy the second, "transmit clause" of the public performance definition: Does Cablevision "transmit ... a performance ... of the work ... to the public"? No one disputes that the RS-DVR playback results in the transmission of a performance of a work—the transmission from the Arroyo Server to the customer's television set. Cablevision contends that (1) the RS-DVR customer, rather than Cablevision, does the transmitting and thus the performing and (2) the transmission is not "to the public" under the transmit clause.

As to Cablevision's first argument, we note that our conclusion in Part II that the customer, not Cablevision, "does" the copying does not dictate a parallel conclusion that the customer, and not Cablevision, "performs" the copyrighted work. The definitions that delineate the contours of the reproduction and public performance rights vary in significant ways. For example, the statute defines the verb "perform" and the noun "copies," but not the verbs "reproduce" or "copy." We need not address Cablevision's first argument further because, even if we assume that Cablevision makes the transmission when an RS-DVR playback occurs, we find that the RS-DVR playback, as described here, does not involve the transmission of a performance "to the public."

The statute itself does not expressly define the term "performance" or the phrase "to the public." It does explain that a transmission may be "to the public ... whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times." This plain language instructs us that, in determining whether a transmission is "to the public," it is of no moment that the potential recipients of the transmission are in different places, or that they may receive the transmission at different times. The implication from this same language, however, is that it is relevant, in determining whether a transmission is made to the public, to discern who is "capable of receiving" the performance being transmitted. The fact that the statute says "capable of receiving the performance," instead of "capable of receiving the transmission," underscores the fact that a transmission of a performance is itself a performance.

The legislative history of the transmit clause supports this interpretation. The House Report on the 1976 Copyright Act states that

[u]nder the bill, as under the present law, a performance made available by *transmission to the public at large* is “public” even though the recipients are not gathered in a single place, and even if there is no proof that any of the *potential recipients* was operating his receiving apparatus at the time of the transmission. The same principles apply whenever the *potential recipients of the transmission* represent a limited segment of the public, such as the occupants of hotel rooms or the subscribers of a cable television service.

From the foregoing, it is evident that the transmit clause directs us to examine who precisely is “capable of receiving” a particular transmission of a performance. Cablevision argues that, because each RS-DVR transmission is made using a single unique copy of a work, made by an individual subscriber, one that can be decoded exclusively by that subscriber’s cable box, only one subscriber is capable of receiving any given RS-DVR transmission. This argument accords with the language of the transmit clause, which, as described above, directs us to consider the potential audience of a given transmission. We are unpersuaded by the district court’s reasoning and the plaintiffs’ arguments that we should consider a larger potential audience in determining whether a transmission is “to the public.”

The district court, in deciding whether the RS-DVR playback of a program to a particular customer is “to the public,” apparently considered all of Cablevision’s customers who subscribe to the channel airing that program and all of Cablevision’s RS-DVR subscribers who request a copy of that program. Thus, it concluded that the RS-DVR playbacks constituted public performances because “Cablevision would transmit the *same program* to members of the public, who may receive the performance at different times, depending on whether they view the program in real time or at a later time as an RS-DVR playback.” In essence, the district court suggested that, in considering whether a transmission is “to the public,” we consider not the potential audience of a particular transmission, but the potential audience of the underlying work (i.e., “the program”) whose content is being transmitted.

We cannot reconcile the district court’s approach with the language of the transmit clause. That clause speaks of people capable of receiving a particular “transmission” or “performance,” and not of the potential audience of a particular “work.” Indeed, such an approach would render the “to the public” language surplusage. Doubtless the potential audience for every copyrighted audiovisual work is the general public. As a result, any transmission of the content of a copyrighted work would constitute a public performance under the district court’s interpretation. But the transmit clause obviously contemplates the existence of non-public transmissions; if it did not, Congress would have stopped drafting that clause after “performance.”

On appeal, plaintiffs offer a slight variation of this interpretation. They argue that both in its real-time cablecast and via the RS-DVR playback, Cablevision is in fact transmitting the “same performance” of a given work: the performance of the work that occurs when the programming service supplying Cablevision’s content transmits that content to Cablevision and the service’s other licensees.

Thus, according to plaintiffs, when Congress says that to perform a work publicly means to transmit ... a performance ... to the public, they really meant “transmit ... the ‘original performance’ ... to the public.” The implication of this theory is that to determine whether a given transmission of a performance is “to the public,” we would consider not only the potential audience of that transmission, but also the potential audience of any transmission of the same underlying “original” performance.

Like the district court's interpretation, this view obviates any possibility of a purely private transmission. Furthermore, it makes Cablevision's liability depend, in part, on the actions of legal strangers. Assume that HBO transmits a copyrighted work to both Cablevision and Comcast. Cablevision merely retransmits the work from one Cablevision facility to another, while Comcast retransmits the program to its subscribers. Under plaintiffs' interpretation, Cablevision would still be transmitting the performance to the public, solely because Comcast has transmitted the same underlying performance to the public. Similarly, a hapless customer who records a program in his den and later transmits the recording to a television in his bedroom would be liable for publicly performing the work simply because some other party had once transmitted the same underlying performance to the public.

We do not believe Congress intended such odd results. Although the transmit clause is not a model of clarity, we believe that when Congress speaks of transmitting a performance to the public, it refers to the performance created by the act of transmission. Thus, HBO transmits its own performance of a work when it transmits to Cablevision, and Cablevision transmits its own performance of the same work when it retransmits the feed from HBO.

In sum, none of the arguments advanced by plaintiffs or the district court alters our conclusion that, under the transmit clause, we must examine the potential audience of a given transmission by an alleged infringer to determine whether that transmission is "to the public." And because the RS-DVR system, as designed, only makes transmissions to one subscriber using a copy made by that subscriber, we believe that the universe of people capable of receiving an RS-DVR transmission is the single subscriber whose self-made copy is used to create that transmission.

Indeed, we believe that *Columbia Pictures Industries, Inc. v. Redd Horne, Inc.*, 749 F.2d 154 (3d Cir.1984), relied on by both plaintiffs and the district court, supports our decision to accord significance to the existence and use of distinct copies in our transmit clause analysis. In that case, defendant operated a video rental store, Maxwell's, which also housed a number of small private booths containing seats and a television. Patrons would select a film, enter the booth, and close the door. An employee would then load a copy of the requested movie into a bank of VCRs at the front of the store and push play, thereby transmitting the content of the tape to the television in the viewing booth.

The Third Circuit found that defendants' conduct constituted a public performance under both clauses of the statutory definition. In concluding that Maxwell's violated the transmit clause, that court explicitly relied on the fact that defendants showed the same copy of a work seriatim to its clientele, and it quoted a treatise emphasizing the same fact:

Professor Nimmer's examination of this definition is particularly pertinent: "if the same copy ... of a given work is repeatedly played (i.e., 'performed') by different members of the public, albeit at different times, this constitutes a 'public' performance." 2 M. Nimmer, § 8.14[C][3], at 8-142 (emphasis in original)... Although Maxwell's has only one copy of each film, it shows each copy repeatedly to different members of the public. This constitutes a public performance.

Unfortunately, neither the *Redd Horne* court nor Prof. Nimmer explicitly explains *why* the use of a distinct copy affects the transmit clause inquiry. But our independent analysis confirms the soundness of their intuition: the use of a unique copy may limit the potential audience of a transmission and is therefore

relevant to whether that transmission is made “to the public.” Plaintiffs’ unsupported arguments to the contrary are unavailing.

Given that each RS–DVR transmission is made to a given subscriber using a copy made by that subscriber, we conclude that such a transmission is not “to the public,” without analyzing the contours of that phrase in great detail.

In sum, we find that the transmit clause directs us to identify the potential audience of a given transmission, i.e., the persons “capable of receiving” it, to determine whether that transmission is made “to the public.” Because each RS–DVR playback transmission is made to a single subscriber using a single unique copy produced by that subscriber, we conclude that such transmissions are not performances “to the public,” and therefore do not infringe any exclusive right of public performance.

This holding, we must emphasize, does not generally permit content delivery networks to avoid all copyright liability by making copies of each item of content and associating one unique copy with each subscriber to the network, or by giving their subscribers the capacity to make their own individual copies. We do not address whether such a network operator would be able to escape any other form of copyright liability, such as liability for unauthorized reproductions or liability for contributory infringement.

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## Check Your Understanding – *Cartoon Network*

**Question 1.** What was the outcome in *Cartoon Network* with respect to the plaintiffs’ argument that Cablevision’s proposed system would infringe their copyrights by briefly storing data in data buffers?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-181>

**Question 2.** What was the outcome in *Cartoon Network* with respect to the plaintiffs’ argument that Cablevision’s proposed system would infringe their copyrights by copying programs onto the Arroyo Server hard disks (the “playback copies”)?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-182>

**Question 3.** What was the outcome in *Cartoon Network* with respect to the plaintiffs’ argument that

Cablevision’s proposed system would infringe their copyrights by transmitting the data from the Arroyo Server hard disks to its RS–DVR customers in response to a “playback” request?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=154#h5p-183>

Some things to consider when reading *Aereo*:

1. The defendant in this case, Aereo, relied on the Second Circuit’s holding in *Cartoon Network* to design a complicated system that was intended to provide the functional equivalent of a cable television service while avoiding infringement liability.<sup>9</sup> The district court and Second Circuit would have found that the company had succeeded, and that under *Cartoon Network* Aereo was not liable for copyright infringement. On what basis did the Supreme Court majority reverse and find the defendant liable?
2. As was the case in *Cartoon Network*, the two pivotal questions are whether the defendant’s transmissions were “performances,” and if so whether they were “public.”
3. Note how the majority uses the legislative history of the 1976 Act, and imputed congressional intent, to support its holding.
4. After *Aereo*, is *Cartoon Network* still good law?
5. What are the implications of the decision for “cloud storage” of copyrighted works?
6. Note the significance of Aereo’s argument that, because the transmissions are recorded and then replayed shortly thereafter, the company is transmitting a “new performance created by its act of transmitting.”
7. What is the significance of the Court’s observation that “an entity that transmits a performance to individuals in their capacities as owners or possessors does not perform to ‘the public,’ whereas an entity like Aereo that transmits to large numbers of paying subscribers who lack any prior relationship to the works does so perform.”
8. Note Justice Scalia’s dissent, particularly his discussion of volitional conduct, and the proper roles of courts, “good lawyers,” and Congress when faced with apparent “loopholes” in a statute.

### *Am. Broad. Companies, Inc. v Aereo, Inc.*

573 U.S. 431 (2014)

Justice BREYER delivered the opinion of the Court.

The Copyright Act of 1976 gives a copyright owner the “exclusive right” to “perform the copyrighted work publicly.” 17 U.S.C. § 106(4). The Act’s Transmit Clause defines that exclusive right as including the right to

“transmit or otherwise communicate a performance ... of the [copyrighted] work ... to the public,

by means of any device or process, whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” § 101.

We must decide whether respondent Aereo, Inc., infringes this exclusive right by selling its subscribers a technologically complex service that allows them to watch television programs over the Internet at about the same time as the programs are broadcast over the air. We conclude that it does.

## **I**

### **A**

For a monthly fee, Aereo offers subscribers broadcast television programming over the Internet, virtually as the programming is being broadcast. Much of this programming is made up of copyrighted works. Aereo neither owns the copyright in those works nor holds a license from the copyright owners to perform those works publicly.

Aereo’s system is made up of servers, transcoders, and thousands of dime-sized antennas housed in a central warehouse. It works roughly as follows: First, when a subscriber wants to watch a show that is currently being broadcast, he visits Aereo’s website and selects, from a list of the local programming, the show he wishes to see.

Second, one of Aereo’s servers selects an antenna, which it dedicates to the use of that subscriber (and that subscriber alone) for the duration of the selected show. A server then tunes the antenna to the over-the-air broadcast carrying the show. The antenna begins to receive the broadcast, and an Aereo transcoder translates the signals received into data that can be transmitted over the Internet.

Third, rather than directly send the data to the subscriber, a server saves the data in a subscriber-specific folder on Aereo’s hard drive. In other words, Aereo’s system creates a subscriber-specific copy—that is, a “personal” copy—of the subscriber’s program of choice.

Fourth, once several seconds of programming have been saved, Aereo’s server begins to stream the saved copy of the show to the subscriber over the Internet. The streaming continues, a mere few seconds behind the over-the-air broadcast, until the subscriber has received the entire show.

Aereo emphasizes that the data that its system streams to each subscriber are the data from his own personal copy, made from the broadcast signals received by the particular antenna allotted to him. Its system does not transmit data saved in one subscriber’s folder to any other subscriber. When two subscribers wish to watch the same program, Aereo’s system activates two separate antennas and saves two separate copies of the program in two separate folders. It then streams the show to the subscribers through two separate transmissions—each from the subscriber’s personal copy.

## **B**

Petitioners are television producers, marketers, distributors, and broadcasters who own the copyrights in many of the programs that Aereo’s system streams to its subscribers. They brought suit against Aereo for

copyright infringement in Federal District Court. They sought a preliminary injunction, arguing that Aereo was infringing their right to “perform” their works “publicly,” as the Transmit Clause defines those terms.

The District Court denied the preliminary injunction. A divided panel of the Second Circuit affirmed. In the Second Circuit’s view, Aereo does not perform publicly within the meaning of the Transmit Clause because it does not transmit “to the public.” Rather, each time Aereo streams a program to a subscriber, it sends a private transmission that is available only to that subscriber. We granted certiorari.

## II

This case requires us to answer two questions: First, in operating in the manner described above, does Aereo “perform” at all? And second, if so, does Aereo do so “publicly”? We address these distinct questions in turn.

In Aereo’s view, it does not perform. It does no more than supply equipment that “emulate[s] the operation of a home antenna and [digital video recorder (DVR) ].” Like a home antenna and DVR, Aereo’s equipment simply responds to its subscribers’ directives. So it is only the subscribers who “perform” when they use Aereo’s equipment to stream television programs to themselves.

Considered alone, the language of the Act does not clearly indicate when an entity “perform[s]” (or “transmit[s]”) and when it merely supplies equipment that allows others to do so. But when read in light of its purpose, the Act is unmistakable: An entity that engages in activities like Aereo’s performs.

## A

History makes plain that one of Congress’ primary purposes in amending the Copyright Act in 1976 was to overturn this Court’s determination that community antenna television (CATV) systems (the precursors of modern cable systems) fell outside the Act’s scope. In *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390 (1968), the Court considered a CATV system that carried local television broadcasting, much of which was copyrighted, to its subscribers in two cities. The CATV provider placed antennas on hills above the cities and used coaxial cables to carry the signals received by the antennas to the home television sets of its subscribers. The system amplified and modulated the signals in order to improve their strength and efficiently transmit them to subscribers. A subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own television set.” The CATV provider “neither edited the programs received nor originated any programs of its own.”

Asked to decide whether the CATV provider infringed copyright holders’ exclusive right to perform their works publicly, the Court held that the provider did not “perform” at all. The Court drew a line: “Broadcasters perform. Viewers do not perform.” And a CATV provider “falls on the viewer’s side of the line.”

The Court reasoned that CATV providers were unlike broadcasters:

“Broadcasters select the programs to be viewed; CATV systems simply carry, without editing, whatever programs they receive. Broadcasters procure programs and propagate them to the public; CATV systems receive programs that have been released to the public and carry them by private channels to additional viewers.”

Instead, CATV providers were more like viewers, for “the basic function [their] equipment serves is little



different from that served by the equipment generally furnished by” viewers. “Essentially,” the Court said, “a CATV system no more than enhances the viewer’s capacity to receive the broadcaster’s signals [by] provid[ing] a well-located antenna with an efficient connection to the viewer’s television set.” Viewers do not become performers by using “amplifying equipment,” and a CATV provider should not be treated differently for providing viewers the same equipment.

In *Teleprompter Corp. v. Columbia Broadcasting System, Inc.*, 415 U.S. 394 (1974), the Court considered the copyright liability of a CATV provider that carried broadcast television programming into subscribers’ homes from hundreds of miles away. Although the Court recognized that a viewer might not be able to afford amplifying equipment that would provide access to those distant signals, it nonetheless found that the CATV provider was more like a viewer than a broadcaster. It explained: “The reception and rechanneling of [broadcast television signals] for simultaneous viewing is essentially a viewer function, irrespective of the distance between the broadcasting station and the ultimate viewer.”

## B

In 1976 Congress amended the Copyright Act in large part to reject the Court’s holdings in *Fortnightly* and *Teleprompter*. See H.R.Rep. No. 94-1476, pp. 86-87 (1976) (hereinafter H.R. Rep.) (The 1976 amendments “completely overturned” this Court’s narrow construction of the Act in *Fortnightly* and *Teleprompter* ). Congress enacted new language that erased the Court’s line between broadcaster and viewer, in respect to “performing” a work. The amended statute clarifies that to “perform” an audiovisual work means “to show its images in any sequence or to make the sounds accompanying it audible.” Under this new language, both the broadcaster and the viewer of a television program “perform,” because they both show the program’s images and make audible the program’s sounds. See H.R. Rep., at 63 (“[A] broadcasting network is performing when it transmits [a singer’s performance of a song] ... and any individual is performing whenever he or she ... communicates the performance by turning on a receiving set”).

Congress also enacted the Transmit Clause, which specifies that an entity performs publicly when it “transmit[s] ... a performance ... to the public.” § 101; see *ibid.* (defining “[t]o ‘transmit’ a performance” as “to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent”). Cable system activities, like those of the CATV systems in *Fortnightly* and *Teleprompter*, lie at the heart of the activities that Congress intended this language to cover. See H.R. Rep., at 63 (“[A] cable television system is performing when it retransmits [a network] broadcast to its subscribers”). The Clause thus makes clear that an entity that acts like a CATV system itself performs, even if when doing so, it simply enhances viewers’ ability to receive broadcast television signals.

Congress further created a new section of the Act to regulate cable companies’ public performances of copyrighted works. Section 111 creates a complex, highly detailed compulsory licensing scheme that sets out the conditions, including the payment of compulsory fees, under which cable systems may retransmit broadcasts.

Congress made these three changes to achieve a similar end: to bring the activities of cable systems within the scope of the Copyright Act.

## C

This history makes clear that Aereo is not simply an equipment provider. Rather, Aereo, and not just its subscribers, “perform[s]” (or “transmit[s]”). Aereo’s activities are substantially similar to those of the CATV companies that Congress amended the Act to reach. Aereo sells a service that allows subscribers to watch television programs, many of which are copyrighted, almost as they are being broadcast. In providing this service, Aereo uses its own equipment, housed in a centralized warehouse, outside of its users’ homes. By means of its technology (antennas, transcoders, and servers), Aereo’s system “receive[s] programs that have been released to the public and carr[ies] them by private channels to additional viewers.” *Fortnighly*, 392 U.S., at 400. It “ carr[ies] ... whatever programs [it] receive[s],” and it offers “all the programming” of each over-the-air station it carries. *Id.*, at 392, 400.

Aereo’s equipment may serve a “viewer function”; it may enhance the viewer’s ability to receive a broadcaster’s programs. It may even emulate equipment a viewer could use at home. But the same was true of the equipment that was before the Court, and ultimately before Congress, in *Fortnighly* and *Teleprompter*.

We recognize, and Aereo and the dissent emphasize, one particular difference between Aereo’s system and the cable systems at issue in *Fortnighly* and *Teleprompter*. The systems in those cases transmitted constantly; they sent continuous programming to each subscriber’s television set. In contrast, Aereo’s system remains inert until a subscriber indicates that she wants to watch a program. Only at that moment, in automatic response to the subscriber’s request, does Aereo’s system activate an antenna and begin to transmit the requested program.

This is a critical difference, says the dissent. It means that Aereo’s subscribers, not Aereo, “select the copyrighted content” that is “performed,” and for that reason they, not Aereo, “transmit” the performance. Aereo is thus like “a copy shop that provides its patrons with a library card.” A copy shop is not directly liable whenever a patron uses the shop’s machines to “reproduce” copyrighted materials found in that library. And by the same token, Aereo should not be directly liable whenever its patrons use its equipment to “transmit” copyrighted television programs to their screens.

In our view, however, the dissent’s copy shop argument, in whatever form, makes too much out of too little. Given Aereo’s overwhelming likeness to the cable companies targeted by the 1976 amendments, this sole technological difference between Aereo and traditional cable companies does not make a critical difference here. The subscribers of the *Fortnighly* and *Teleprompter* cable systems also selected what programs to display on their receiving sets. Indeed, as we explained in *Fortnighly*, such a subscriber “could choose any of the ... programs he wished to view by simply turning the knob on his own television set.” The same is true of an Aereo subscriber. Of course, in *Fortnighly* the television signals, in a sense, lurked behind the screen, ready to emerge when the subscriber turned the knob. Here the signals pursue their ordinary course of travel through the universe until today’s “turn of the knob”—a click on a website—activates machinery that intercepts and reroutes them to Aereo’s subscribers over the Internet. But this difference means nothing to the subscriber. It means nothing to the broadcaster. We do not see how this single difference, invisible to subscriber and broadcaster alike, could transform a system that is for all practical purposes a traditional cable system into “a copy shop that provides its patrons with a library card.”

In other cases involving different kinds of service or technology providers, a user’s involvement in the operation of the provider’s equipment and selection of the content transmitted may well bear on whether

the provider performs within the meaning of the Act. But the many similarities between Aereo and cable companies, considered in light of Congress' basic purposes in amending the Copyright Act, convince us that this difference is not critical here. We conclude that Aereo is not just an equipment supplier and that Aereo "perform[s]."

### III

Next, we must consider whether Aereo performs petitioners' works "publicly," within the meaning of the Transmit Clause. Under the Clause, an entity performs a work publicly when it "transmit[s] ... a performance ... of the work ... to the public." § 101. Aereo denies that it satisfies this definition. It reasons as follows: First, the "performance" it "transmit[s]" is the performance created by its act of transmitting. And second, because each of these performances is capable of being received by one and only one subscriber, Aereo transmits privately, not publicly. Even assuming Aereo's first argument is correct, its second does not follow.

We begin with Aereo's first argument. What performance does Aereo transmit? Under the Act, "[t]o 'transmit' a performance ... is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent." And "[t]o 'perform' " an audiovisual work means "to show its images in any sequence or to make the sounds accompanying it audible."

Petitioners say Aereo transmits a *prior* performance of their works. Thus when Aereo retransmits a network's prior broadcast, the underlying broadcast (itself a performance) is the performance that Aereo transmits. Aereo, as discussed above, says the performance it transmits is the *new* performance created by its act of transmitting. That performance comes into existence when Aereo streams the sounds and images of a broadcast program to a subscriber's screen.

We assume *arguendo* that Aereo's first argument is correct. Thus, for present purposes, to transmit a performance of (at least) an audiovisual work means to communicate contemporaneously visible images and contemporaneously audible sounds of the work. Cf. *United States v. American Soc. of Composers, Authors and Publishers*, 627 F.3d 64, 73 (C.A.2 2010) (holding that a download of a work is not a performance because the data transmitted are not "contemporaneously perceptible"). When an Aereo subscriber selects a program to watch, Aereo streams the program over the Internet to that subscriber. Aereo thereby "communicate[s]" to the subscriber, by means of a "device or process," the work's images and sounds. And those images and sounds are contemporaneously visible and audible on the subscriber's computer (or other Internet-connected device). So under our assumed definition, Aereo transmits a performance whenever its subscribers watch a program.

But what about the Clause's further requirement that Aereo transmit a performance "to the public"? As we have said, an Aereo subscriber receives broadcast television signals with an antenna dedicated to him alone. Aereo's system makes from those signals a personal copy of the selected program. It streams the content of the copy to the same subscriber and to no one else. One and only one subscriber has the ability to see and hear each Aereo transmission. The fact that each transmission is to only one subscriber, in Aereo's view, means that it does not transmit a performance "to the public."

In terms of the Act's purposes, these differences do not distinguish Aereo's system from cable systems, which do perform "publicly." Viewed in terms of Congress' regulatory objectives, why should any of these technological differences matter? They concern the behind-the-scenes way in which Aereo delivers

television programming to its viewers' screens. They do not render Aereo's commercial objective any different from that of cable companies. Nor do they significantly alter the viewing experience of Aereo's subscribers. Why would a subscriber who wishes to watch a television show care much whether images and sounds are delivered to his screen via a large multi-subscriber antenna or one small dedicated antenna, whether they arrive instantaneously or after a few seconds' delay, or whether they are transmitted directly or after a personal copy is made? And why, if Aereo is right, could not modern CATV systems simply continue the same commercial and consumer-oriented activities, free of copyright restrictions, provided they substitute such new technologies for old? Congress would as much have intended to protect a copyright holder from the unlicensed activities of Aereo as from those of cable companies.

The text of the Clause effectuates Congress' intent. Aereo's argument to the contrary relies on the premise that "to transmit ... a performance" means to make a single transmission. But the Clause suggests that an entity may transmit a performance through multiple, discrete transmissions. That is because one can "transmit" or "communicate" something through a set of actions. Thus one can transmit a message to one's friends, irrespective of whether one sends separate identical e-mails to each friend or a single e-mail to all at once. So can an elected official communicate an idea, slogan, or speech to her constituents, regardless of whether she communicates that idea, slogan, or speech during individual phone calls to each constituent or in a public square.

The fact that a singular noun ("a performance") follows the words "to transmit" does not suggest the contrary. One can sing a song to his family, whether he sings the same song one-on-one or in front of all together. Similarly, one's colleagues may watch a performance of a particular play—say, this season's modern-dress version of "Measure for Measure"—whether they do so at separate or at the same showings. By the same principle, an entity may transmit a performance through one or several transmissions, where the performance is of the same work.

The Transmit Clause must permit this interpretation, for it provides that one may transmit a performance to the public "whether the members of the public capable of receiving the performance ... receive it ... at the same time or at different times." § 101. Were the words "to transmit ... a performance" limited to a single act of communication, members of the public could not receive the performance communicated "at different times." Therefore, in light of the purpose and text of the Clause, we conclude that when an entity communicates the same contemporaneously perceptible images and sounds to multiple people, it transmits a performance to them regardless of the number of discrete communications it makes.

We do not see how the fact that Aereo transmits via personal copies of programs could make a difference. The Act applies to transmissions "by means of any device or process." And retransmitting a television program using user-specific copies is a "process" of transmitting a performance. A "cop[y]" of a work is simply a "material objec[t] ... in which a work is fixed ... and from which the work can be perceived, reproduced, or otherwise communicated." So whether Aereo transmits from the same or separate copies, it performs the same work; it shows the same images and makes audible the same sounds. Therefore, when Aereo streams the same television program to multiple subscribers, it "transmit[s] ... a performance" to all of them.

Moreover, the subscribers to whom Aereo transmits television programs constitute "the public." Aereo communicates the same contemporaneously perceptible images and sounds to a large number of people

who are unrelated and unknown to each other. This matters because, although the Act does not define “the public,” it specifies that an entity performs publicly when it performs at “any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered.” The Act thereby suggests that “the public” consists of a large group of people outside of a family and friends.

Neither the record nor Aereo suggests that Aereo’s subscribers receive performances in their capacities as owners or possessors of the underlying works. This is relevant because when an entity performs to a set of people, whether they constitute “the public” often depends upon their relationship to the underlying work. When, for example, a valet parking attendant returns cars to their drivers, we would not say that the parking service provides cars “to the public.” We would say that it provides the cars to their owners. We would say that a car dealership, on the other hand, does provide cars to the public, for it sells cars to individuals who lack a pre-existing relationship to the cars. Similarly, an entity that transmits a performance to individuals in their capacities as owners or possessors does not perform to “the public,” whereas an entity like Aereo that transmits to large numbers of paying subscribers who lack any prior relationship to the works does so perform.

Finally, we note that Aereo’s subscribers may receive the same programs at different times and locations. This fact does not help Aereo, however, for the Transmit Clause expressly provides that an entity may perform publicly “whether the members of the public capable of receiving the performance ... receive it in the same place or in separate places and at the same time or at different times.” In other words, “the public” need not be situated together, spatially or temporally. For these reasons, we conclude that Aereo transmits a performance of petitioners’ copyrighted works to the public, within the meaning of the Transmit Clause.

#### IV

Aereo and many of its supporting amici argue that to apply the Transmit Clause to Aereo’s conduct will impose copyright liability on other technologies, including new technologies, that Congress could not possibly have wanted to reach. We agree that Congress, while intending the Transmit Clause to apply broadly to cable companies and their equivalents, did not intend to discourage or to control the emergence or use of different kinds of technologies. But we do not believe that our limited holding today will have that effect.

For one thing, the history of cable broadcast transmissions that led to the enactment of the Transmit Clause informs our conclusion that Aereo “perform[s],” but it does not determine whether different kinds of providers in different contexts also “perform.” For another, an entity only transmits a performance when it communicates contemporaneously perceptible images and sounds of a work

Further, we have interpreted the term “the public” to apply to a group of individuals acting as ordinary members of the public who pay primarily to watch broadcast television programs, many of which are copyrighted. We have said that it does not extend to those who act as owners or possessors of the relevant product. And we have not considered whether the public performance right is infringed when the user of a service pays primarily for something other than the transmission of copyrighted works, such as the remote storage of content. See Brief for United States as *Amicus Curiae* 31 (distinguishing cloud-based storage services because they “offer consumers more numerous and convenient means of playing back copies that the consumers have already lawfully acquired” (emphasis in original)). In addition, an entity does

not transmit to the public if it does not transmit to a substantial number of people outside of a family and its social circle.

We also note that courts often apply a statute's highly general language in light of the statute's basic purposes. Finally, the doctrine of "fair use" can help to prevent inappropriate or inequitable applications of the Clause. See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984).

We cannot now answer more precisely how the Transmit Clause or other provisions of the Copyright Act will apply to technologies not before us. We agree with the Solicitor General that "[q]uestions involving cloud computing, [remote storage] DVRs, and other novel issues not before the Court, as to which 'Congress has not plainly marked [the] course,' should await a case in which they are squarely presented." And we note that, to the extent commercial actors or other interested entities may be concerned with the relationship between the development and use of such technologies and the Copyright Act, they are of course free to seek action from Congress. Cf. Digital Millennium Copyright Act, 17 U.S.C. § 512.

\* \* \*

For these reasons, we conclude that Aereo "perform[s]" petitioners' copyrighted works "publicly," as those terms are defined by the Transmit Clause. We therefore reverse the contrary judgment of the Court of Appeals, and we remand the case for further proceedings consistent with this opinion.

**Justice SCALIA, with whom Justice THOMAS and Justice ALITO join, dissenting.**

This case is the latest skirmish in the long-running copyright battle over the delivery of television programming. The Networks sued Aereo for several forms of copyright infringement, but we are here concerned with a single claim: that Aereo violates the Networks' "exclusive righ[t]" to "perform" their programs "publicly." 17 U.S.C. § 106(4). That claim fails at the very outset because Aereo does not "perform" at all. The Court manages to reach the opposite conclusion only by disregarding widely accepted rules for service-provider liability and adopting in their place an improvised standard ("looks-like-cable-TV") that will sow confusion for years to come.

## **I. Legal Standard**

Most suits against equipment manufacturers and service providers involve secondary-liability claims. For example, when movie studios sued to block the sale of Sony's Betamax videocassette recorder (VCR), they argued that Sony was liable because its customers were making unauthorized copies. See *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 434–435 (1984). Record labels and movie studios relied on a similar theory when they sued Grokster and StreamCast, two providers of peer-to-peer file-sharing software. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 920–21, 927 (2005).

This suit, or rather the portion of it before us here, is fundamentally different. The Networks claim that Aereo directly infringes their public-performance right. Accordingly, the Networks must prove that Aereo "perform[s]" copyrighted works, § 106(4), when its subscribers log in, select a channel, and push the "watch" button. That process undoubtedly results in a performance; the question is who does the performing. See *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 130 (C.A.2 2008). If Aereo's subscribers perform but Aereo does not, the claim necessarily fails.

The Networks' claim is governed by a simple but profoundly important rule: A defendant may be held directly liable only if it has engaged in volitional conduct that violates the Act. This requirement is firmly grounded in the Act's text, which defines "perform" in active, affirmative terms: One "perform[s]" a copyrighted "audiovisual work," such as a movie or news broadcast, by "show[ing] its images in any sequence" or "mak[ing] the sounds accompanying it audible." § 101. And since the Act makes it unlawful to copy or perform copyrighted works, not to copy or perform in general, see § 501(a), the volitional-act requirement demands conduct directed to the plaintiff's copyrighted material. Every Court of Appeals to have considered an automated-service provider's direct liability for copyright infringement has adopted that rule. See *Fox Broadcasting Co. v. Dish Network LLC*, 747 F.3d 1060, 1066–1068 (C.A.9 2014); *Cartoon Network, supra*, at 130–131 (C.A.2 2008); *CoStar Group, Inc. v. LoopNet, Inc.*, 373 F.3d 544, 549–550 (C.A.4 2004). Although we have not opined on the issue, our cases are fully consistent with a volitional-conduct requirement. For example, we gave several examples of direct infringement in *Sony*, each of which involved a volitional act directed to the plaintiff's copyrighted material.

The volitional-conduct requirement is not at issue in most direct-infringement cases; the usual point of dispute is whether the defendant's conduct is infringing (e.g., Does the defendant's design copy the plaintiff's?), rather than whether the defendant has acted at all (e.g., Did this defendant create the infringing design?). But it comes right to the fore when a direct-infringement claim is lodged against a defendant who does nothing more than operate an automated, user-controlled system. Internet-service providers are a prime example. When one user sends data to another, the provider's equipment facilitates the transfer automatically. Does that mean that the provider is directly liable when the transmission happens to result in the "reproduc[tion]," § 106(1), of a copyrighted work? It does not. The provider's system is "totally indifferent to the material's content," whereas courts require "some aspect of volition" directed at the copyrighted material before direct liability may be imposed. The defendant may be held directly liable only if the defendant itself trespassed on the exclusive domain of the copyright owner. Most of the time that issue will come down to who selects the copyrighted content: the defendant or its customers. See *Cartoon Network, supra*, at 131–132.

A comparison between copy shops and video-on-demand services illustrates the point. A copy shop rents out photocopiers on a per-use basis. One customer might copy his 10-year-old's drawings—a perfectly lawful thing to do—while another might duplicate a famous artist's copyrighted photographs—a use clearly prohibited by § 106(1). Either way, the customer chooses the content and activates the copying function; the photocopier does nothing except in response to the customer's commands. Because the shop plays no role in selecting the content, it cannot be held directly liable when a customer makes an infringing copy.

Video-on-demand services, like photocopiers, respond automatically to user input, but they differ in one crucial respect: They choose the content. When a user signs in to Netflix, for example, "thousands of ... movies [and] TV episodes" carefully curated by Netflix are "available to watch instantly." See How [D]oes Netflix [W]ork?, online at <http://help.netflix.com/en/node/412> (as visited June 20, 2014, and available in Clerk of Court's case file). That selection and arrangement by the service provider constitutes a volitional act directed to specific copyrighted works and thus serves as a basis for direct liability.

The distinction between direct and secondary liability would collapse if there were not a clear rule for determining whether the defendant committed the infringing act. The volitional-conduct requirement supplies that rule; its purpose is not to excuse defendants from accountability, but to channel the claims

against them into the correct analytical track. Thus, in the example given above, the fact that the copy shop does not choose the content simply means that its culpability will be assessed using secondary-liability rules rather than direct-liability rules.

## **II. Application to Aereo**

So which is Aereo: the copy shop or the video-on-demand service? In truth, it is neither. Rather, it is akin to a copy shop that provides its patrons with a library card. Aereo offers access to an automated system consisting of routers, servers, transcoders, and dime-sized antennae. Like a photocopier or VCR, that system lies dormant until a subscriber activates it. When a subscriber selects a program, Aereo's system picks up the relevant broadcast signal, translates its audio and video components into digital data, stores the data in a user-specific file, and transmits that file's contents to the subscriber via the Internet—at which point the subscriber's laptop, tablet, or other device displays the broadcast just as an ordinary television would. The result of that process fits the statutory definition of a performance to a tee: The subscriber's device “show[s]” the broadcast's “images” and “make[s]” the sounds accompanying” the broadcast “audible.” § 101. The only question is whether those performances are the product of Aereo's volitional conduct.

They are not. Unlike video-on-demand services, Aereo does not provide a prearranged assortment of movies and television shows. Rather, it assigns each subscriber an antenna that—like a library card—can be used to obtain whatever broadcasts are freely available. Some of those broadcasts are copyrighted; others are in the public domain. The key point is that subscribers call all the shots: Aereo's automated system does not relay any program, copyrighted or not, until a subscriber selects the program and tells Aereo to relay it. Aereo's operation of that system is a volitional act and a but-for cause of the resulting performances, but, as in the case of the copy shop, that degree of involvement is not enough for direct liability.

In sum, Aereo does not “perform” for the sole and simple reason that it does not make the choice of content. And because Aereo does not perform, it cannot be held directly liable for infringing the Networks' public-performance right.<sup>3</sup> That conclusion does not necessarily mean that Aereo's service complies with the Copyright Act. Quite the contrary. The Networks' complaint alleges that Aereo is directly and secondarily liable for infringing their public-performance rights (§ 106(4)) and also their reproduction rights (§ 106(1)). Their request for a preliminary injunction—the only issue before this Court—is based exclusively on the direct-liability portion of the public-performance claim (and further limited to Aereo's “watch” function, as opposed to its “record” function). Affirming the judgment below would merely return this case to the lower courts for consideration of the Networks' remaining claims.

## **III. Guilt By Resemblance**

The Court's conclusion that Aereo performs boils down to the following syllogism: (1) Congress amended the Act to overrule our decisions holding that cable systems do not perform when they retransmit over-the-air broadcasts; (2) Aereo looks a lot like a cable system; therefore (3) Aereo performs. That reasoning suffers from a trio of defects.

First, it is built on the shakiest of foundations. Perceiving the text to be ambiguous, the Court reaches out to decide the case based on a few isolated snippets of legislative history. The Court treats those snippets as authoritative evidence of congressional intent even though they come from a single report issued by a



committee whose members make up a small fraction of one of the two Houses of Congress. Little else need be said here about the severe shortcomings of that interpretative methodology.

Second, the Court's reasoning fails on its own terms because there are material differences between the cable systems at issue in *Teleprompter* and *Fortnightly*, on the one hand and Aereo on the other. The former (which were then known as community-antenna television systems) captured the full range of broadcast signals and forwarded them to all subscribers at all times, whereas Aereo transmits only specific programs selected by the user, at specific times selected by the user. The Court acknowledges this distinction but blithely concludes that it "does not make a critical difference." Even if that were true, the Court fails to account for other salient differences between the two technologies. Though cable systems started out essentially as dumb pipes that routed signals from point A to point B, by the 1970's, that kind of service no longer existed. At the time of our *Teleprompter* decision, cable companies performed the same functions as broadcasters by deliberately selecting and importing distant signals, originating programs, and selling commercials, thus making them curators of content—more akin to video-on-demand services than copy shops. So far as the record reveals, Aereo does none of those things.

Third, and most importantly, even accepting that the 1976 amendments had as their purpose the overruling of our cable-TV cases, what they were meant to do and how they did it are two different questions—and it is the latter that governs the case before us here. The injury claimed is not violation of a law that says operations similar to cable TV are subject to copyright liability, but violation of § 106(4) of the Copyright Act. And whatever soothing reasoning the Court uses to reach its result ("this looks like cable TV"), the consequence of its holding is that someone who implements this technology "perform[s]" under that provision. That greatly disrupts settled jurisprudence which, before today, applied the straightforward, bright-line test of volitional conduct directed at the copyrighted work. If that test is not outcome determinative in this case, presumably it is not outcome determinative elsewhere as well. And it is not clear what the Court proposes to replace it. Perhaps the Court means to adopt (invent, really) a two-tier version of the Copyright Act, one part of which applies to "cable companies and their equivalents" while the other governs everyone else.

Making matters worse, the Court provides no criteria for determining when its cable-TV-lookalike rule applies. Must a defendant offer access to live television to qualify? If similarity to cable-television service is the measure, then the answer must be yes. But consider the implications of that answer: Aereo would be free to do exactly what it is doing right now so long as it built mandatory time shifting into its "watch" function. Aereo would not be providing live television if it made subscribers wait to tune in until after a show's live broadcast ended. A subscriber could watch the 7 p.m. airing of a 1-hour program any time after 8 p.m. Assuming the Court does not intend to adopt such a do-nothing rule (though it very well may), there must be some other means of identifying who is and is not subject to its guilt-by-resemblance regime.

\* \* \*

I share the Court's evident feeling that what Aereo is doing (or enabling to be done) to the Networks' copyrighted programming ought not to be allowed. But perhaps we need not distort the Copyright Act to forbid it. As discussed at the outset, Aereo's secondary liability for performance infringement is yet to be determined, as is its primary and secondary liability for reproduction infringement. If that does not suffice, then (assuming one shares the majority's estimation of right and wrong) what we have before us must be

considered a “loophole” in the law. It is not the role of this Court to identify and plug loopholes. It is the role of good lawyers to identify and exploit them, and the role of Congress to eliminate them if it wishes. Congress can do that, I may add, in a much more targeted, better informed, and less disruptive fashion than the crude “looks-like-cable-TV” solution the Court invents today.

We came within one vote of declaring the VCR contraband 30 years ago in *Sony*. The dissent in that case was driven in part by the plaintiffs’ prediction that VCR technology would wreak all manner of havoc in the television and movie industries.

The Networks make similarly dire predictions about Aereo. We are told that nothing less than “the very existence of broadcast television as we know it” is at stake. Aereo and its amici dispute those forecasts and make a few of their own, suggesting that a decision in the Networks’ favor will stifle technological innovation and imperil billions of dollars of investments in cloud-storage services. We are in no position to judge the validity of those self-interested claims or to foresee the path of future technological development. Hence, the proper course is not to bend and twist the Act’s terms in an effort to produce a just outcome, but to apply the law as it stands and leave to Congress the task of deciding whether the Copyright Act needs an upgrade.

I respectfully dissent.

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## Check Your Understanding – *Aereo*

**Question 1.** On what basis did the Court conclude that Aereo’s service constituted the public performance of plaintiff’s copyrighted works?



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**Question 2.** What does the Court have to say about the implications of Aereo for “cloud storage” of copyrighted works?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=154#h5p-185>

Some things to consider when reading *Perfect 10 v. Amazon*:

1. The plaintiff's argument that Google's "Google Image" function infringes the display and distribution rights with respect to plaintiff's copyrighted images.
2. The distinction between the thumbnail versions of Perfect 10's images, which Google makes and stores on its servers, and the full-size versions, which Google only provides a link to.
3. The so-called "server test," which the Ninth Circuit appears to embrace in this decision. We will see later that other courts have rejected the server test.

### *Perfect 10, Inc. v. Amazon.com, Inc.*

508 F.3d 1146 (9th Cir. 2007)

IKUTA, Circuit Judge:

In this appeal, we consider a copyright owner's efforts to stop an Internet search engine from facilitating access to infringing images. Perfect 10, Inc. sued Google Inc., for infringing Perfect 10's copyrighted photographs of nude models, among other claims. The district court preliminarily enjoined Google from creating and publicly displaying thumbnail versions of Perfect 10's images, *Perfect 10 v. Google, Inc.*, 416 F.Supp.2d 828 (C.D.Cal.2006), but did not enjoin Google from linking to third-party websites that display infringing full-size versions of Perfect 10's images.

The district court handled this complex case in a particularly thoughtful and skillful manner. Nonetheless, the district court erred on certain issues, as we will further explain below. We affirm in part, reverse in part, and remand.

## I

### **Background**

Google's computers, along with millions of others, are connected to networks known collectively as the "Internet." Computer owners can provide information stored on their computers to other users connected to the Internet through a medium called a webpage. A webpage consists of text interspersed with instructions written in Hypertext Markup Language ("HTML") that is stored in a computer. No images are stored on a webpage; rather, the HTML instructions on the webpage provide an address for where the images are stored, whether in the webpage publisher's computer or some other computer. In general, webpages are publicly available and can be accessed by computers connected to the Internet through the use of a web browser.

Google operates a search engine, a software program that automatically accesses thousands of websites (collections of webpages) and indexes them within a database stored on Google's computers. When a Google user accesses the Google website and types in a search query, Google's software searches its database for websites responsive to that search query. Google then sends relevant information from its index of websites to the user's computer. Google's search engines can provide results in the form of text, images, or videos.

The Google search engine that provides responses in the form of images is called “Google Image Search.” In response to a search query, Google Image Search identifies text in its database responsive to the query and then communicates to users the images associated with the relevant text. Google’s software cannot recognize and index the images themselves. Google Image Search provides search results as a webpage of small images called “thumbnails,” which are stored in Google’s servers. The thumbnail images are reduced, lower-resolution versions of full-sized images stored on third-party computers.

When a user clicks on a thumbnail image, the user’s browser program interprets HTML instructions on Google’s webpage. These HTML instructions direct the user’s browser to cause a rectangular area (a “window”) to appear on the user’s computer screen. The window has two separate areas of information. The browser fills the top section of the screen with information from the Google webpage, including the thumbnail image and text. The HTML instructions also give the user’s browser the address of the website publisher’s computer that stores the full-size version of the thumbnail. By following the HTML instructions to access the third-party webpage, the user’s browser connects to the website publisher’s computer, downloads the full-size image, and makes the image appear at the bottom of the window on the user’s screen. Google does not store the images that fill this lower part of the window and does not communicate the images to the user; Google simply provides HTML instructions directing a user’s browser to access a third-party website. However, the top part of the window (containing the information from the Google webpage) appears to frame and comment on the bottom part of the window. Thus, the user’s window appears to be filled with a single integrated presentation of the full-size image, but it is actually an image from a third-party website framed by information from Google’s website. The process by which the webpage directs a user’s browser to incorporate content from different computers into a single window is referred to as “in-line linking.” *Kelly v. Arriba Soft Corp.*, 336 F.3d 811, 816 (9th Cir.2003). The term “framing” refers to the process by which information from one computer appears to frame and annotate the in-line linked content from another computer.

Google also stores webpage content in its cache. For each cached webpage, Google’s cache contains the text of the webpage as it appeared at the time Google indexed the page, but does not store images from the webpage. Google may provide a link to a cached webpage in response to a user’s search query. However, Google’s cache version of the webpage is not automatically updated when the webpage is revised by its owner. So if the webpage owner updates its webpage to remove the HTML instructions for finding an infringing image, a browser communicating directly with the webpage would not be able to access that image. However, Google’s cache copy of the webpage would still have the old HTML instructions for the infringing image. Unless the owner of the computer changed the HTML address of the infringing image, or otherwise rendered the image unavailable, a browser accessing Google’s cache copy of the website could still access the image where it is stored on the website publisher’s computer. In other words, Google’s cache copy could provide a user’s browser with valid directions to an infringing image even though the updated webpage no longer includes that infringing image.

Perfect 10 markets and sells copyrighted images of nude models. Among other enterprises, it operates a subscription website on the Internet. Subscribers pay a monthly fee to view Perfect 10 images in a “members’ area” of the site.

Some website publishers republish Perfect 10’s images on the Internet without authorization. Once this occurs, Google’s search engine may automatically index the webpages containing these images and provide

thumbnail versions of images in response to user inquiries. When a user clicks on the thumbnail image returned by Google's search engine, the user's browser accesses the third-party webpage and in-line links to the full-sized infringing image stored on the website publisher's computer. This image appears, in its original context, on the lower portion of the window on the user's computer screen framed by information from Google's webpage.

### III

#### **Direct Infringement**

Perfect 10 claims that Google's search engine program directly infringes two exclusive rights granted to copyright holders: its display rights and its distribution rights. Plaintiffs must satisfy two requirements to present a *prima facie* case of direct infringement: (1) they must show ownership of the allegedly infringed material and (2) they must demonstrate that the alleged infringers violate at least one exclusive right granted to copyright holders under 17 U.S.C. § 106.

Perfect 10's ownership of at least some of the images at issue is not disputed.

The district court held that Perfect 10 was likely to prevail in its claim that Google violated Perfect 10's display right with respect to the infringing thumbnails. However, the district court concluded that Perfect 10 was not likely to prevail on its claim that Google violated either Perfect 10's display or distribution right with respect to its full-size infringing images. We review these rulings for an abuse of discretion.

#### *A. Display Right*

In considering whether Perfect 10 made a *prima facie* case of violation of its display right, the district court reasoned that a computer owner that stores an image as electronic information and serves that electronic information directly to the user ("i.e., physically sending ones and zeroes over the [I]nternet to the user's browser," is displaying the electronic information in violation of a copyright holder's exclusive display right. 17 U.S.C. § 106(5). Conversely, the owner of a computer that does not store and serve the electronic information to a user is not displaying that information, even if such owner in-line links to or frames the electronic information. The district court referred to this test as the "server test."

Applying the server test, the district court concluded that Perfect 10 was likely to succeed in its claim that Google's thumbnails constituted direct infringement but was unlikely to succeed in its claim that Google's in-line linking to full-size infringing images constituted a direct infringement. As explained below, because this analysis comports with the language of the Copyright Act, we agree with the district court's resolution of both these issues.

We have not previously addressed the question when a computer displays a copyrighted work for purposes of section 106(5). Section 106(5) states that a copyright owner has the exclusive right "to display the copyrighted work publicly." The Copyright Act explains that "display" means "to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process...." 17 U.S.C. § 101. Section 101 defines "copies" as "material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." Finally, the Copyright Act provides

that “[a] work is ‘fixed’ in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration.”

We must now apply these definitions to the facts of this case. A photographic image is a work that is “‘fixed’ in a tangible medium of expression,” for purposes of the Copyright Act, when embodied (i.e., stored) in a computer’s server (or hard disk, or other storage device). The image stored in the computer is the “copy” of the work for purposes of copyright law. See *MAI Sys. Corp. v. Peak Computer, Inc.*, 991 F.2d 511, 517–18 (9th Cir.1993) (a computer makes a “copy” of a software program when it transfers the program from a third party’s computer (or other storage device) into its own memory, because the copy of the program recorded in the computer is “fixed” in a manner that is “sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration” (quoting 17 U.S.C. § 101)). The computer owner shows a copy “by means of a ... device or process” when the owner uses the computer to fill the computer screen with the photographic image stored on that computer, or by communicating the stored image electronically to another person’s computer. 17 U.S.C. § 101. In sum, based on the plain language of the statute, a person displays a photographic image by using a computer to fill a computer screen with a copy of the photographic image fixed in the computer’s memory. There is no dispute that Google’s computers store thumbnail versions of Perfect 10’s copyrighted images and communicate copies of those thumbnails to Google’s users. Therefore, Perfect 10 has made a *prima facie* case that Google’s communication of its stored thumbnail images directly infringes Perfect 10’s display right.

Google does not, however, display a copy of full-size infringing photographic images for purposes of the Copyright Act when Google frames in-line linked images that appear on a user’s computer screen. Because Google’s computers do not store the photographic images, Google does not have a copy of the images for purposes of the Copyright Act. In other words, Google does not have any “material objects ... in which a work is fixed ... and from which the work can be perceived, reproduced, or otherwise communicated” and thus cannot communicate a copy. 17 U.S.C. § 101.

Instead of communicating a copy of the image, Google provides HTML instructions that direct a user’s browser to a website publisher’s computer that stores the full-size photographic image. Providing these HTML instructions is not equivalent to showing a copy. First, the HTML instructions are lines of text, not a photographic image. Second, HTML instructions do not themselves cause infringing images to appear on the user’s computer screen. The HTML merely gives the address of the image to the user’s browser. The browser then interacts with the computer that stores the infringing image. It is this interaction that causes an infringing image to appear on the user’s computer screen. Google may facilitate the user’s access to infringing images. However, such assistance raises only contributory liability issues, and does not constitute direct infringement of the copyright owner’s display rights.

Our ruling that a computer owner does not display a copy of an image when it communicates only the HTML address of the copy [does not] erroneously collapse the display right in section 106(5) into the reproduction right set forth in section 106(1). Nothing in the Copyright Act prevents the various rights protected in section 106 from overlapping. Indeed, under some circumstances, more than one right must be infringed in order for an infringement claim to arise. For example, a “Game Genie” device that allowed a player to alter features of a Nintendo computer game did not infringe Nintendo’s right to prepare derivative works because the Game Genie did not incorporate any portion of the game itself. See *Lewis Galoob Toys, Inc. v. Nintendo of*

*Am., Inc.*, 964 F.2d 965, 967 (9th Cir.1992). We held that a copyright holder's right to create derivative works is not infringed unless the alleged derivative work "incorporate[s] a protected work in some concrete or permanent 'form.'" In other words, in some contexts, the claimant must be able to claim infringement of its reproduction right in order to claim infringement of its right to prepare derivative works.

Because Google's cache merely stores the text of webpages, our analysis of whether Google's search engine program potentially infringes Perfect 10's display and distribution rights is equally applicable to Google's cache. Perfect 10 is not likely to succeed in showing that a cached webpage that in-line links to full-size infringing images violates such rights. For purposes of this analysis, it is irrelevant whether cache copies direct a user's browser to third-party images that are no longer available on the third party's website, because it is the website publisher's computer, rather than Google's computer, that stores and displays the infringing image.

#### *B. Distribution Right*

The district court also concluded that Perfect 10 would not likely prevail on its claim that Google directly infringed Perfect 10's right to distribute its full-size images. The district court reasoned that distribution requires an "actual dissemination" of a copy. Because Google did not communicate the full-size images to the user's computer, Google did not distribute these images.

Again, the district court's conclusion on this point is consistent with the language of the Copyright Act. Section 106(3) provides that the copyright owner has the exclusive right "to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending." 17 U.S.C. § 106(3). As noted, "copies" means "material objects ... in which a work is fixed." 17 U.S.C. § 101. The Supreme Court has indicated that in the electronic context, copies may be distributed electronically. See *N.Y. Times Co. v. Tasini*, 533 U.S. 483, 498 (2001) (a computer database program distributed copies of newspaper articles stored in its computerized database by selling copies of those articles through its database service). Google's search engine communicates HTML instructions that tell a user's browser where to find full-size images on a website publisher's computer, but Google does not itself distribute copies of the infringing photographs. It is the website publisher's computer that distributes copies of the images by transmitting the photographic image electronically to the user's computer. As in *Tasini*, the user can then obtain copies by downloading the photo or printing it.

Perfect 10 incorrectly relies on *Hotaling v. Church of Jesus Christ of Latter-Day Saints* and *Napster* for the proposition that merely making images "available" violates the copyright owner's distribution right. *Hotaling v. Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199 (4th Cir.1997); *Napster*, 239 F.3d 1004. *Hotaling* held that the owner of a collection of works who makes them available to the public may be deemed to have distributed copies of the works. *Hotaling*, 118 F.3d at 203. Similarly, the distribution rights of the plaintiff copyright owners were infringed by Napster users (private individuals with collections of music files stored on their home computers) when they used the Napster software to make their collections available to all other Napster users. *Napster*, 239 F.3d at 1011-14.

This "deemed distribution" rule does not apply to Google. Unlike the participants in the Napster system or the library in *Hotaling*, Google does not own a collection of Perfect 10's full-size images and does not communicate these images to the computers of people using Google's search engine. Though Google

indexes these images, it does not have a collection of stored full-size images it makes available to the public. Google therefore cannot be deemed to distribute copies of these images under the reasoning of *Napster* or *Hotaling*. Accordingly, the district court correctly concluded that Perfect 10 does not have a likelihood of success in proving that Google violates Perfect 10's distribution rights with respect to full-size images.

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## Check Your Understanding – *Perfect 10 v. Amazon*

**Question 1.** True or false: According to the Ninth Circuit's "Server Test," a computer owner that stores an image as electronic information and serves that electronic information directly to the user is displaying the electronic information in violation of a copyright holder's exclusive display right. 17 U.S.C. § 106(5). Conversely, the owner of a computer that does not store and serve the electronic information to a user is not displaying that information, even if such owner in-line links to or frames the electronic information.



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**Question 2.** Why did the *Perfect 10* court conclude that the plaintiff had made a prima facie case of direct infringement with respect to the thumbnail images, but not the full-size photographic images?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-187>

Some things to consider when reading *Nicklen*:

1. In this decision, a district court residing in the Second Circuit rejects the Ninth Circuit's "Server Test," which the court relied on in *Perfect 10*. Which court do you agree with?
2. The primary issue for the court is whether embedding a copyrighted video on Instagram without authorization can constitute infringement of the display right.
3. *Nicklen* is not the only district court decision to either reject or limit the Server Test.<sup>10</sup> In a 2023 decision, *Hunley v. Instagram*,<sup>11</sup> the Ninth Circuit acknowledges these district court decisions, but states that at least "no circuit [court] has disapproved of *Perfect 10*" and its Server Test. In *Hunley*, the Ninth Circuit held that the Supreme Court's decision in *Aereo* is not inconsistent with *Perfect 10* and the Server Test.



## *Nicklen v. Sinclair Broad. Grp., Inc.*

2021 WL 3239510 (S.D.N.Y. July 30, 2021)

JED S. RAKOFF, U.S.D.J.

Plaintiff Paul Nicklen captured footage of a starving polar bear and posted the video to his Instagram and Facebook accounts. Dozens of news outlets and online publishers, including Sinclair Broadcast Group, Inc. and its affiliates (collectively, the “Sinclair Defendants”), embedded the video in online articles without first obtaining a license. Nicklen then sued the Sinclair Defendants for copyright infringement. The Sinclair Defendants now move to dismiss the Second Amended Complaint, arguing that embedding a video does not “display” the video within the meaning of the Copyright Act and that the video’s inclusion in an article about the video’s popularity was fair use. For the reasons that follow, the Court denies the motion to dismiss.

### **FACTUAL AND PROCEDURAL BACKGROUND**

#### **I. Factual Allegations**

The following allegations are presumed true for purposes of the motion to dismiss. Paul Nicklen is a Canadian nature photographer, filmmaker, and founder of the nonprofit conservationist organization SeaLegacy. Nicklen is the author and registered copyright owner of a video of an emaciated polar bear wandering the Canadian Arctic (“the Video”). On December 5, 2017, Nicklen posted the Video to his Instagram and Facebook accounts. In a caption, Nicklen urged his social media followers to consider the “haunt[ing]” and “soul-crushing scene” and to take steps to mitigate the harms of climate change. Nicklen added that “[w]e must reduce our carbon footprint, eat the right food, stop cutting down our forests, and begin putting the Earth — our home — first.” He then invited his followers to “join us at @sea\_legacy as we search for and implement solutions for the oceans and the animals that rely on them — including us humans.” Finally, the caption noted that the Video “is exclusively managed by Caters News” and directed those seeking “[t]o license or use [the Video] in a commercial player” to contact Caters News.

Sinclair Broadcast Group, Inc. is a Maryland-based media conglomerate that owns “over 200” local television stations and 118 wholly owned subsidiaries nationwide (“Sinclair Affiliates”). On or around December 11, 2017, Sinclair Broadcast Group published an article titled “Starving polar bear goes viral in heartbreaking video.” Sinclair Broadcast Group included the Video in this article using the Instagram or Facebook application programming interface (“API”) embed tool. Sinclair Broadcast Group “embedded” the Video by including in its website an HTML code provided by Instagram or Facebook that directed web browsers to retrieve the Video from the Instagram or Facebook server for viewing on Sinclair’s website. The Video appeared within the body of the Sinclair article even when a reader took no action to retrieve the Video or to navigate to Nicklen’s Facebook or Instagram account, and even when a reader did not have a Facebook or Instagram account.

The Sinclair Broadcast Group article opens by stating that “[a] photograph of a polar bear is grabbing attention as it shows the animal slowly succumbing to starvation.” The article goes on to repeat quotes Nicklen gave to *National Geographic* and to explain that Nicklen “advocated for the reduction of the carbon footprint,” quoting the portion of Nicklen’s Instagram caption that described the polar bear population’s

battle against extinction. The article closes by noting that “[t]he video has already reached over 1 million views on Facebook.” Nicklen alleges upon information and belief that this Sinclair Broadcast Group article was reposted – and the Video was re-embedded – on all television station websites operated by the Sinclair Defendants.

Though Nicklen provided licensing information in the text of his Instagram post, the Sinclair Defendants did not obtain a license or Nicklen’s consent before embedding the Video. On or about December 8, 2020, Nicklen sent the Sinclair Affiliates a takedown notice, but the Video remains displayed on television station websites owned by Sinclair Broadcast Group, Inc. and Sinclair Affiliates.

## **II. Procedural Background**

Nicklen and Christina Mittermeier<sup>12</sup> sued the Sinclair Defendants, among others, for copyright infringement. In the operative complaint, Nicklen alleges that by embedding Nicklen’s copyrighted video on Sinclair websites using the Instagram or Facebook API, the Sinclair Defendants infringed his exclusive reproduction, distribution, and display rights in violation of 17 U.S.C. §§ 106(1), (3), and (5). The Sinclair Defendants move to dismiss the Second Amended Complaint.

## **DISCUSSION**

### **I. Copyright Infringement**

The fundamental question at issue here is whether embedding a video “displays” the video within the meaning of the Copyright Act of 1976. This Court concludes that it does.

Under the Copyright Act, “[t]o ‘display’ a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.” 17 U.S.C. § 101. A device or process is defined as “one now known or later developed,” and to show means “to cause or permit to be seen.” See *Show*, Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/show> (last visited July 27, 2021); *accord Show, v.*, Oxford English Dictionary, <https://www.oed.com/view/Entry/178737> (defining to “show” as “[t]o present or display (an object) in order that it may be looked at; to expose or exhibit to view”). Thus, under the plain meaning of the Copyright Act, a defendant violates an author’s exclusive right to display an audiovisual work publicly when the defendant without authorization causes a copy of the work, or individual images of the work, to be seen – whether directly or by means of any device or process known in 1976 or developed thereafter.

In 1976, Congress crafted a broad display right, conscious that section 106(5) “represent[ed] the first explicit statutory recognition in American copyright law of an exclusive right to show a copyrighted work, or an image of it, to the public.” The display right as initially drafted was “analogous to the traditional common-law right of first publication in a literary work, or to the moral right of divulgation in continental law, but that right would cease as soon as a copy of the work was transferred.” R. Anthony Reese, *The Public Display Right: The Copyright Act’s Neglected Solution to the Controversy Over RAM “Copies”*, 2001 U. of Ill. L. Rev. 83, 95 (2001). But this approach was ultimately set aside. The display right in its final form encompasses “not only the initial rendition or showing, but also any further act by which that rendition or showing is transmitted

or communicated to the public.” H.R. Rep. 94-1476, at 63. As such, an infringer displays a work by showing “a copy” of the work — not the first copy, or the only copy, but *any* copy of the work. See 17 U.S.C. § 101.

Further, the exclusive display right set forth in the Copyright Act is technology-neutral, covering displays made directly or by means of any device or process “now known or later developed.” The concept of “display” thus includes “the projection of an image on a screen or other surface by any method, the transmission of an image by electronic or other means, and the showing of an image on a cathode ray tube, or similar viewing apparatus connected with any sort of information storage and retrieval system.” H.R. Rep. No. 94-1476, at 64 (1976). The right is concerned not with how a work is shown, but that a work is shown.

The Copyright Act’s text and history establish that embedding a video on a website “displays” that video, because to embed a video is to show the video or individual images of the video nonsequentially by means of a device or process. Nicklen alleges that the Sinclair Defendants included in their web pages an HTML code that caused the Video to “appear[ ]” within the web page “no differently than other content within the Post,” although “the actual Video ... was stored on Instagram’s server.” The embed code on the Sinclair Defendants’ webpages is simply an information “retrieval system” that permits the Video or an individual image of the Video to be seen. The Sinclair Defendants’ act of embedding therefore falls squarely within the display right.

The Sinclair Defendants nevertheless insist that embedding is not display and ask the Court to adopt the Ninth Circuit’s “server rule.” Under that rule, a website publisher displays an image by “using a computer to fill a computer screen with a copy of the photographic image fixed in the computer’s memory.” *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1160 (9th Cir. 2007). In contrast, when a website publisher embeds an image, HTML code “gives the address of the image to the user’s browser” and the browser “interacts with the [third-party] computer that stores the infringing image.” Because the image remains on a third-party’s server and is not fixed in the memory of the infringer’s computer, therefore, under the “server rule,” embedding is not display.

The server rule is contrary to the text and legislative history of the Copyright Act. The Act defines to display as “to show a copy of” a work, 17 U.S.C. § 101, not “to make and then show a copy of the copyrighted work.” The Ninth Circuit’s approach, under which no display is possible unless the alleged infringer has also stored a copy of the work on the infringer’s computer, makes the display right merely a subset of the reproduction right. See Jane C. Ginsburg & Luke Ali Budiardjo, *Embedding Content or Interring Copyright: Does the Internet Need the “Server Rule”?*, 32 Colum. J. L. & Arts 417, 430 (2019) (explaining that the server rule “convert[s] the display right into an atrophied appendage of the reproduction right” and thereby “ignores Congress’s endeavor to ensure that the full ‘bundle’ of exclusive rights will address evolving modes of exploitation of works”). Further, the server rule distinguishes between showing a copy possessed by the infringer and showing a copy possessed by someone else. See *Perfect 10*, 508 F.3d at 1161 (concluding that “Google does not ... display a copy of full-size infringing photographic images for purposes of the Copyright Act” because “Google does not have a copy of the images for purposes of the Copyright Act”). As discussed above, when a copy of a work is shown, the Copyright Act makes no such distinction. See, e.g., *Am. Broad. Companies, Inc. v. Aereo, Inc.*, 573 U.S. 431, 441-48 (2014) (holding that, despite technological complexity concerning the “behind-the-scenes” delivery of images, the defendant violated the exclusive right to “show [an audiovisual work’s] images in any sequence,” because “whether Aereo transmits from the

same or separate copies, it ... shows the same images and makes audible the same sound”). Rather, to “show a copy” is to display it. 17 U.S.C. § 101.

Further, the Ninth Circuit’s reasoning in *Perfect 10* should be cabined by two facts specific to that case: (1) the defendant operated a search engine and (2) the copyrighted images were displayed only if a user clicked on a link. See *Goldman v. Breitbart News Network, LLC*, 302 F. Supp. 3d 585, 595 (S.D.N.Y. 2018) (distinguishing *Perfect 10* on these grounds). When a user “open[s] up a favorite blog or website to find a full color image awaiting the user, whether he or she asked for it, looked for it, clicked on it, or not,” the Ninth Circuit’s approach is inapt. See *id.* This case does not involve a search engine, and Nicklen alleges that no user intervention was required to display the Video’s individual images nonsequentially. An individual still image from the Video awaits Sinclair readers whether they click the image to play the video or not. Thus, *Perfect 10*’s test is a poor fit for this case, and the Court declines to adopt it.

Proponents of the server rule suggest that a contrary rule would impose far-reaching and ruinous liability, supposedly grinding the internet to a halt. These speculations seem farfetched, but are, in any case, just speculations. Moreover, the alternative provided by the server rule is no more palatable. Under the server rule, a photographer who promotes his work on Instagram or a filmmaker who posts her short film on YouTube surrenders control over how, when, and by whom their work is subsequently shown — reducing the display right, effectively, to the limited right of first publication that the Copyright Act of 1976 rejects. The Sinclair Defendants argue that an author wishing to maintain control over how a work is shown could abstain from sharing the work on social media, pointing out that if Nicklen removed his work from Instagram, the Video would disappear from the Sinclair Defendants’ websites as well. But it cannot be that the Copyright Act grants authors an exclusive right to display their work publicly only if that public is not online.

For the foregoing reasons, Nicklen has plausibly alleged that by embedding the Video without authorization, the Sinclair Defendants violated the display right.

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## Check Your Understanding – *Nicklen*

**Question 1.** In *Nicklen*, why did the court reject the defendants’ argument that they had not infringed the plaintiff’s public display right because the copyrighted video was embedded in a story, but not stored on defendants’ computer?



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<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-188>

## E. The Digital Public Performance Right

Recall that § 106(4) specifically recites the categories of copyrighted works with respect to which its public performance right applies, i.e., “literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works.” While the list includes musical works, sound recordings are conspicuously absent. In 1995, Congress partially addressed this concern when it enacted the Digital Performance Right in Sound Recordings Act of 1995 (“DPSR”), which introduced a new exclusive right, i.e., the digital public performance right, as set forth in 17 U.S.C. § 106(6). In particular, § 106(6) confers upon copyright owners the exclusive right, “in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.”

Significantly, this is not the “general public performance right” of § 106(4), but is limited in a number of important respects. In particular, § 106(6) is limited to “digital” audio transmissions. In other words, it does not encompass traditional analog transmissions by terrestrial radio stations. Congress also created a number of other limitations, many of which are set forth in 17 U.S.C. § 114(d). This section of the Copyright Act is extremely complicated, but some of its most important features can be summarized as follows.

Section 114 explicitly exempts some digital transmissions from the digital public performance right, particularly FCC-licensed, non-subscription, over-the-air broadcasts. Significantly, this exemption does not apply in the case of a traditional analog radio station that re-broadcasts its content in digital format over the Internet. See *Bonneville International Corp. v. Peters*, 347 F.3d 485 (3<sup>rd</sup> Cir 2003).

Section 114 also provides for a compulsory license in the case of nonexempt digital performances which are “non-interactive,” i.e., that transmit sound recordings in a manner that, for the most part, cannot be controlled by the consumer. The terms of this statutory license, e.g., the royalty rate, is set by the Copyright Royalty Board.<sup>13</sup> The statute provides for the distribution of compulsory license fees among a number of stakeholders, including not only the record company but also the performing artists. A music webcasting service like Pandora, which allows the listeners of its free service only a limited ability to select which recordings they will hear, is designed to fall within this category of “non-interactive” services, and thereby eligible for the statutory compulsory license.

Finally, digital performances that are “interactive,” i.e., that allow users to choose which songs they will hear, are subject to the digital public performance right and not eligible for any statutory compulsory license. As a result, these interactive digital services, such as Spotify, are required to negotiate an express license from the sound recording owner, and pay a royalty based on the outcome of that negotiation.

The distinction between “interactive” and “non-interactive” digital music platforms is thus very significant. If a service such as Pandora qualifies as “non-interactive,” it can take advantage of the statutory compulsory license. On the other hand, if the service is deemed “interactive,” it will not qualify for the compulsory license, and must negotiate a license in order to broadcast a copyrighted sound recording (as well as a license to the musical work, which will often be owned by a different copyright owner). In the following decision, the court is tasked with deciding whether or not a Pandora-like “webcasting” service called LAUNCHcast is interactive.

Some things to consider when reading *Arista Recs.*:

1. In drawing the line between “interactive” and “non-interactive” webcasting services, the court relies heavily on Congress’s purpose in creating the distinction between the two, i.e., what Congress was trying to accomplish when it created a statutory compulsory license that is only available for non-interactive services.
2. Note the discussion of the evolving relationship between record labels and music broadcasters, and why it is significant in discerning congressional intent in this case.
3. How, and why, did Congress amend § 114 in 1998?
4. Why does the court find that the “degree of predictability” with respect to which song will play next is critical to determining whether or not the webcast is “interactive”?
5. Why does the court conclude that LAUNCHcast is not an interactive service within the meaning of 17 U.S.C. § 114(j)(7)?

### *Arista Recs., LLC v. Launch Media, Inc.*

578 F.3d 148 (2d Cir. 2009)

WESLEY, Circuit Judge:

We are the first federal appellate court called upon to determine whether a webcasting service that provides users with individualized internet radio stations—the content of which can be affected by users’ ratings of songs, artists, and albums—is an interactive service within the meaning of 17 U.S.C. § 114(j)(7). If it is an interactive service, the webcasting service would be required to pay individual licensing fees to those copyright holders of the sound recordings of songs the webcasting service plays for its users. If it is not an interactive service, the webcasting service must only pay a statutory licensing fee set by the Copyright Royalty Board. A jury determined that the defendant does not provide an interactive service and therefore is not liable for paying the copyright holders, a group of recording companies, a licensing fee for each individual song. The recording companies appeal claiming that as a matter of law the webcasting service is an interactive service. We affirm; the webcasting service is not an interactive service as a matter of law.

#### **Background**

On May 24, 2001 Arista Records, LLC, Bad Boy Records, BMG Music, and Zomba Recording LLC (collectively, “BMG”) brought suit against Launch Media, Inc. (“Launch”) alleging that Launch violated provisions of the Digital Millennium Copyright Act of 1998 (the “DMCA”), codified in relevant part in 17 U.S.C. § 114, by willfully infringing sound recording copyrights of BMG from 1999 to 2001. The case was tried before a jury, and after the district court denied BMG’s motion for judgment as a matter of law, the jury returned a verdict for Launch.

Launch operates an internet radio website, or “webcasting” service, called LAUNCHcast, which enables a user to create “stations” that play songs that are within a particular genre or similar to a particular artist or song the user selects. BMG holds the copyrights in the sound recordings of some of the songs LAUNCHcast plays for users.

BMG, as a sound recording copyright holder, has no copyright in the general performance of a sound recording, see 17 U.S.C. §§ 106(4), 114(a), but BMG does have the exclusive right “to perform the copyrighted [sound recording] publicly by means of a digital audio transmission,” 17 U.S.C. § 106(6). Launch does not dispute that LAUNCHcast provides a digital audio transmission within the definition of § 106(6). See 17 U.S.C. §§ 101, 114(j)(5). BMG has a right to demand that those who perform—i.e., play or broadcast—its copyrighted sound recording pay an individual licensing fee to BMG if the performance of the sound recording occurs through an “interactive service.” See 17 U.S.C. § 114(d)(3)(C).

An interactive service is defined as a service “that enables a member of the public to receive a transmission of a program specially created for the recipient, or on request, a transmission of a particular sound recording ..., which is selected by or on behalf of the recipient.” *Id.* § 114(j)(7). If a digital audio transmission is not an interactive service and its “primary purpose ... is to provide to the public such audio or other entertainment programming,” *id.* § 114(j)(6), the transmitter need only pay a compulsory or statutory licensing fee set by the Copyright Royalty Board made up of Copyright Royalty Judges appointed by the Library of Congress.

At trial, BMG claimed that between November 1999 and May 2001 Launch—through LAUNCHcast—provided an interactive service and therefore was required to obtain individual licenses from BMG to play BMG’s sound recordings. The jury returned a verdict in favor of Launch.

### **Discussion**

We agree with BMG that the central issue of this case—interactivity—presents an issue of law. The parties do not materially disagree on how LAUNCHcast works; their point of conflict centers on whether the program is “interactive” as defined by the statute—clearly an issue of law and therefore strictly under the purview of the courts.

An “interactive service” according to the statute “is one that enables a member of the public to receive a transmission of a program specially created for the recipient, or on request, a transmission of a particular sound recording, whether or not as part of a program, which is selected by or on behalf of the recipient.” 17 U.S.C. § 114(j)(7).

BMG sees the issue as a simple one. BMG argues that any service that reflects user input is specially created for and by the user and therefore qualifies as an interactive service. But we should not read the statute so broadly. The meaning of the phrase in question must significantly depend on the context in which Congress chose to employ it.

Congress extended the first copyright protection for sound recordings in 1971 by creating a right to reproduce and distribute tangible copies of sound recordings. Sound Recording Act of 1971 (the “SRA”). Congress drafted the SRA to address its concern about preventing “phonorecord piracy due to advances in duplicating technology.” Notably, unlike the copyright of musical works, the sound recording copyright created by the SRA did not include a right of performance. Therefore, holders of sound recording copyrights—principally recording companies such as BMG—had no right to extract licensing fees from radio stations and other broadcasters of recorded music. The reason for this lack of copyright protection in sound recordings was that the recording industry and radio broadcasters existed in a sort of symbiotic relationship wherein the recording industry recognized that radio airplay was free advertising that lured

consumers to retail stores where they would purchase recordings. However, the relationship has been, and continues to be, more nuanced and occasionally antagonistic. In response to continued lobbying by the recording industry, Congress and the Copyright Office (the “Office”) studied the need for stronger copyright protection for sound recordings for two decades after passage of the SRA.

With the inception and public use of the internet in the early 1990s, the recording industry became concerned that existing copyright law was insufficient to protect the industry from music piracy. At the time, the United States Register of Copyrights referred to the internet as “the world’s biggest copying machine.” What made copying music transmitted over the internet more dangerous to recording companies than traditional analog copying with a tape recorder was the fact that there is far less degradation of sound quality in a digital recording than an analog recording. Although data transmission over the internet was slow—in 1994 it took on average twenty minutes to download one song—the recording industry foresaw the internet as a threat to the industry’s business model. If an internet user could listen to music broadcast over, or downloaded from, the internet for free, the recording industry worried that the user would stop purchasing music. Jason Berman, president of the Recording Industry Association of America (the “RIAA”), the lobbying arm of the recording industry, stated in 1994 that without a copyright in a right of performance via internet technology, the industry would be “unable to compete in this emerging digital era.” Berman warned that “digital delivery would siphon off and eventually eliminate the major source of revenue for investing in future recordings” and that “[o]ver time, this [would] lead to a vast reduction in the production of recorded music.” Digital Performance Right in Sound Recording: Hearing on H.R. 1506 Before the H. Comm. on the Judiciary, Subcomm. on Courts & Intellectual Prop., 104th Cong. (1995) (statement of Jason Berman, President, RIAA).

The Commerce Department, which oversees the Copyright Office, recognized that failing to provide more protections to the recording industry would drive the music industry away from using the internet as a medium for legitimate music distribution. As then-Assistant Secretary of Commerce Bruce Lehman said, “If we don’t make it clear you can’t transmit a work without the permission of the owner, copyright owners aren’t going to use the information highway .... There won’t be any cars on the highway if we don’t make certain the cars don’t get hijacked at the entrance ramp.” In a white paper to President Clinton, an information infrastructure task force chaired by Lehman recommended that Congress give sound recording copyright holders a right of performance.

In light of these concerns, and recognizing that digital transmission of sound recordings were likely to become a very important outlet for the performance of recorded music, Congress enacted the Digital Performance Right in Sound Recordings Act of 1995 (the “DPSR”), giving sound recording copyright holders an exclusive but “narrow” right to perform—play or broadcast—sound recordings via a digital audio transmission. The right was limited to exclusive performance of digital audio transmissions through paid subscriptions services and “interactive services.” See 17 U.S.C. § 114(d) (1995). While non-interactive subscription services qualified for statutory licensing, interactive services were required to obtain individual licenses for each sound recording those interactive services played via a digital transmission. Under the DPSR, interactive service was defined as

one that enables a member of the public to receive, on request, a transmission of a particular sound recording chosen by or on behalf of the recipient. The ability of individuals to request that particular



sound recordings be performed for reception by the public at large does not make a service interactive. If an entity offers both interactive and non-interactive services (either concurrently or at different times), the non-interactive component shall not be treated as part of an interactive service.

17 U.S.C. § 114(j)(4) (1995).

The House report noted that *the DPSR was enacted to address two related concerns. First, without “appropriate copyright protection in the digital environment, the creation of new sound recordings and musical works could be discouraged, ultimately denying the public some of the potential benefits of the new digital transmission technologies.” Second, “certain types of subscription and interaction audio services might adversely affect sales of sound recordings and erode copyright owners’ ability to control and be paid for use of their work.”* With regard to the latter concern, the House noted that “interactive services are most likely to have a significant impact on traditional record sales, and therefore pose the greatest threat to the livelihoods of those whose income depends upon revenues derived from traditional record sales.” These interactive services were likely to have an impact on record sales because the more advance information the user has about the digital transmission, the more the transmission facilitated a user’s private copying (in perfect digital copies) of the recorded performance, or, at least, enabled the user to substitute listening to the targeted performance for purchasing a copy of it.

*The House also noted the importance of striking a balance between, on one hand, protecting sound recording copyright holders to promote sales, distribution, and development of new music, and, on the other hand, making development of new media and forms of distribution economically feasible.* Congress attempted to address this concern by making the right “narrow”—limiting it to performance of digital audio transmissions and exempting nonsubscriber services.

Fairly soon after Congress enacted the DPSR, critics began to call for further legislation, charging that the DPSR was too narrowly drawn and did not sufficiently protect sound recording copyright holders from further internet piracy. For instance, webcasting services, which provide free—i.e., nonsubscription—services that do not provide particular sound recording on request and are therefore not interactive within the meaning of term under the DPSR, at that time fell outside the sound recording copyright holder’s right of control. Recording companies became concerned that these webcasting services were allowing users to copy music transmitted to their computer via webcast for free, or to listen to these webcasting services in lieu of purchasing music. Record companies were concerned that these webcasting services were causing a diminution in record sales, which the companies feared would cut into profits and stunt development of the recording industry. According to Cary Sherman, Senior Executive Vice President and General Counsel of the RIAA, by 1997, the record industry was losing \$1 million a day due to music piracy. Copyright Piracy in the Internet: Hearing on H.R. 2265 Before H. Comm. on the Judiciary, Subcomm. on Courts & Intellectual Prop., 105th Cong. (1997) (statement of Cary H. Sherman, Senior Executive Vice President and General Counsel of the RIAA).

In light of these concerns, Congress enacted the current version of § 114 under the DMCA in 1998. The term “interactive service” was expanded to include “those that are specially created for a particular individual.” As enacted, the definition of “interactive service” was now a service “that enables a member of the public to receive a transmission of a program specially created for the recipient, or on request, a transmission of

a particular sound recording, whether or not as part of a program, which is selected by or on behalf of the recipient.” 17 U.S.C. § 114(j)(7).

According to the House conference report,

The conferees intend that the phrase “program specially created for the recipient” be interpreted reasonably in light of the remainder of the definition of “interactive service.” For example, a service would be interactive if it allowed a small number of individuals to request that sound recordings be performed in a program specially created for that group and not available to any individuals outside of that group. In contrast, a service would not be interactive if it merely transmitted to a large number of recipients of the service’s transmissions a program consisting of sound recordings requested by a small number of those listeners.

The House report continued that a transmission is considered interactive “if a transmission recipient is permitted to select particular sound recordings in a prerecorded or predetermined program.” “For example, if a transmission recipient has the ability to move forward and backward between songs in a program, the transmission is interactive. It is not necessary that the transmission recipient be able to select the actual songs that comprise the program.”

On April 17, 2000, the Digital Media Association (“DiMA”), the lobbying arm of transmitters of digital media such as Launch, filed a petition with the Copyright Office requesting that the Office amend the definition of “service” “to state that a service is not interactive simply because it offers the consumer some degree of influence over the programming offered by the webcaster.” DiMA asked the Copyright Office to adopt the following as a rule:

A Service making transmissions that otherwise meet the requirements for the section 114(f) statutory license is not rendered “interactive,” and thus ineligible for the statutory license, simply because the consumer may express preferences to such Service as to the musical genres, artists and sound recordings that may be incorporated into the Service’s music programming to the public.

The DiMA did not ask the Copyright Office to determine whether any particular services was non-interactive.

On November 21, 2000, the Copyright Office issued a letter stating that because “of the rapidly changing business models emerging in today’s digital marketplace, no rule can accurately draw the line demarcating the limits between an interactive service and a noninteractive service. Nor can one readily classify an entity which makes transmissions as exclusively interactive or noninteractive.” The Copyright Office stated that determinations of interactivity “must be made on a case-by-case basis after the development of a full evidentiary record.”

Despite refusing to make a broad rule governing interactivity, the Copyright Office did opine that in enacting the § 114(j)(7), “Congress sought to identify a service as interactive according to the amount of influence a member of the public would have on the selection and performance of a particular sound recording.” However, the Office stated that “the fact that some degree of consumer influence on a service’s programming is permissible does not mean that a regulation to clarify that fact is necessary or even desirable.” The Copyright Office also noted that “because the law and the accompanying legislative history

make it clear that consumers can have some influence on the offerings made by a service without making the service interactive, there is no need to amend the regulations to make this point.”

In sum, from the SRA to the DMCA, Congress enacted copyright legislation directed at preventing the diminution in record sales through outright piracy of music or new digital media that offered listeners the ability to select music in such a way that they would forego purchasing records.

*[Editor’s note: At this point in the decision, the court provides a detailed explanation of the complex processes by which LAUNCHcast decides which songs to play for a subscriber, based largely on choices made by the subscriber. In one aspect of the service, for example, a complicated algorithm is used to compile a “playlist” of fifty songs, based on the subscriber’s expressed preferences with respect to music genres, artists, and specific songs. LAUNCHcast orders the playlist. The ordering of the songs is random, but LAUNCHcast is designed so it will not play more than two songs in the same album or three songs by the same artist consecutively. While a song is playing, the user has the ability to pause the song, skip the song, or delete the song from the station by rating the song zero. Notably, the user may not go back to restart the song that is playing, or repeat any of the previously played songs in the playlist.]*

It is hard to think of a more complicated way to “select songs,” but this is the nature of webcast music broadcasting in the digital age. Given LAUNCHcast’s format, we turn to the question of whether LAUNCHcast is an interactive service as a matter of law. As we have already noted, a webcasting service such as LAUNCHcast is interactive under the statute if a user can either (1) request—and have played—a particular sound recording, or (2) receive a transmission of a program “specially created” for the user.<sup>42</sup> U.S.C. § 114(j)(7). A LAUNCHCAST user cannot request and expect to hear a particular song on demand; therefore, LAUNCHcast does not meet the first definition of interactive. But LAUNCHcast may still be liable if it enables the user to receive a transmission of a program “specially created” for the user. It comes as no surprise to us that the district court, the parties, and others have struggled with what Congress meant by this term.

The language and development of the DPSR and DMCA make clear that Congress enacted both statutes to create a narrow copyright in the performance of digital audio transmissions to protect sound recording copyright holders—principally recording companies—from the diminution in record sales. Congress created this narrow right to ensure that “the creation of new sound recordings and musical works [would not] be discouraged,” and to prevent the “threat to the livelihoods of those whose income depends upon revenues derived from traditional record sales.”

Contrary to BMG’s contentions, Congress was clear that the statute sought to prevent further decreases in revenues for sound recording copyright holders due to significant reductions in record sales, perceived in turn to be a result of the proliferation of interactive listening services. If the user has sufficient control over the interactive service such that she can predict the songs she will hear, much as she would if she owned the music herself and could play each song at will, she would have no need to purchase the music she wishes to hear. Therefore, part and parcel of the concern about a diminution in record sales is the concern that an interactive service provides a degree of predictability—based on choices made by the user—that approximates the predictability the music listener seeks when purchasing music.

The current version § 114(j)(7) was enacted because Congress determined that the DPSR was not up to

the task of protecting sound recording copyright holders from diminution in record sales, presumably because programs not covered by the DPSR's definition of interactive service provided a degree of control—predictability—to internet music listeners that dampened the music listeners' need to purchase music recordings. By giving sound recording copyright holders the right to require individual licenses for transmissions of programs specially created for users, Congress hoped to plug the loophole the DPSR had left open for webcasting services.

To determine what additional service or program Congress intended to include as an interactive service under the DMCA, we look to what language was added to the definition of interactive service. One term notably absent from the DPSR definition, which was later included under the DMCA, is “transmission of a program.” 17 U.S.C. § 114(j)(7). While not semantically identical, Title 17 defines “transmission program” as “a body of material that, as an aggregate, has been produced for the sole purpose of transmission to the public in sequence and as a unit.” 17 U.S.C. § 101. This definition views a transmission program as a body of material presented as a single unit, as opposed to a selection of individual works. Therefore, in expanding the definition of interactive service to include the transmission of programs specially created for the user, Congress intended to include bodies of pre-packaged material, such as groups of songs or playlists specially created for the user. Given this definition, we turn to the ultimate issue of whether the LAUNCHcast playlists, uniquely generated for the user each time the user selects a station, are specially created and therefore interactive.

Launch does not deny that each playlist generated when a LAUNCHcast user selects a radio station is unique to that user at that particular time. However, this does not necessarily make the LAUNCHcast playlist specially created for the user. Based on a review of how LAUNCHcast functions, it is clear that LAUNCHcast does not provide a specially created program within the meaning of § 114(j)(7) because the webcasting service does not provide sufficient control to users such that playlists are so predictable that users will choose to listen to the webcast in lieu of purchasing music, thereby—in the aggregate—diminishing record sales.

First, the rules governing what songs are pooled ensure that the user has almost no ability to choose, let alone predict, which specific songs will be pooled in anticipation for selection to the playlist. Second, the selection of songs to be included in the playlist is governed by rules preventing the user's explicitly rated songs from being anywhere near a majority of the songs on the playlist.

Even the ways in which songs are rated include variables beyond the user's control. There are restrictions placed on the number of times songs by a particular artist or from a particular album can be played, and there are restrictions on consecutive play of the same artist or album. Finally, because each playlist is unique to each user each time the user logs in, a user cannot listen to the playlist of another user and anticipate the songs to be played from that playlist, even if the user has selected the same preferences and rated all songs, artists, and albums identically as the other user. Relatedly, a user who hears a song she likes and wants to hear again cannot do so by logging off and back on to reset her station to disable the restriction against playing the same song twice on a playlist. Even if a user logs off LAUNCHcast then logs back on and selects the same station, the user will still hear the remainder of the playlist to which she had previously been listening with its restrictions still in operation, provided there were at least eight songs left to be played on the playlist—or, in other words, until the user listens to at least forty-two of the playlist's songs.

Finally, after navigating these criteria to generate a playlist, LAUNCHcast randomly orders the playlist. This randomization is limited by restrictions on the consecutive play of artists or albums, which further restricts the user's ability to choose the artists or albums they wish to hear. LAUNCHcast also does not enable the user to view the unplayed songs in the playlist, ensuring that a user cannot sift through a playlist to choose the songs the user wishes to hear.

It appears the only thing a user can predict with certainty—the only thing the user can control—is that by rating a song at zero the user will not hear that song on that station again. But the ability not to listen to a particular song is certainly not a violation of a copyright holder's right to be compensated when the sound recording is played.

In short, to the degree that LAUNCHcast's playlists are uniquely created for each user, that feature does not ensure predictability. Indeed, the unique nature of the playlist helps Launch ensure that it does not provide a service so specially created for the user that the user ceases to purchase music. LAUNCHcast listeners do not even enjoy the limited predictability that once graced the AM airwaves on weekends in America when "special requests" represented love-struck adolescents' attempts to communicate their feelings to "that special friend." Therefore, we cannot say LAUNCHcast falls within the scope of the DMCA's definition of an interactive service created for individual users.

When Congress created the sound recording copyright, it explicitly characterized it as "narrow." There is no general right of performance in the sound recording copyright. There is only a limited right to performance of digital audio transmission with several exceptions to the copyright, including the one at issue in this case. We find that LAUNCHcast is not an interactive service within the meaning of 17 U.S.C. § 114(j)(7). Because we so conclude, we need not reach the other issues raised by BMG on appeal.

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## Check Your Understanding – *Arista Recs.*

**Question 1.** Which of the following must pay a statutory licensing fee to sound recording copyright holders?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-189>

**Question 2.** In *Arista Recs.*, why did the court conclude that LAUNCHcast is a noninteractive webcasting service?



— An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-190>

**Question 3.** True or false: When copyright protection was first extended to sound recordings in 1971, the copyright did not include a public performance right because it was thought that the recording industry and radio broadcasters existed in a sort of symbiotic relationship, wherein the recording industry recognized that radio airplay was free advertising that lured consumers to retail stores where they would purchase recordings.



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-191>

In 2018, Congress enacted the Classics Protection and Access Act as Title II of the Music Modernization Act (MMA),<sup>14</sup> which brought pre-1972 sound recordings partially into the federal copyright system. The legislation created a new chapter 14 of the copyright law, title 17 United States Code, which, among other things, extends remedies for copyright infringement to owners of sound recordings fixed before February 15, 1972 (“Pre-1972 Sound Recordings”) when the recordings are used without authorization. The new chapter includes several limitations and exceptions to the eligibility for these remedies, as well as related administrative procedures.

## F. Moral Rights and VARA

Outside the United States, many countries, particularly in continental Europe, have long recognized an author’s “moral rights” in that authors work, which exist even after the author has sold the work. This applies both to the copyright in the work, as well as an actual copy of the work, such as a painting or sculpture. Although the specific scope of moral rights will vary from country to country, they generally include a “right of integrity,” i.e., the right to insist that the work not be mutilated or distorted, and a “right of attribution,” i.e., the right to be acknowledged as the author of the work and to prevent others from naming anyone else as the creator. Historically, U.S. federal copyright law has not provided moral rights to authors, focusing more on the economic interests of copyright owners.

The Berne Convention requires all signatory nations to protect the rights of integrity and attribution in their domestic laws. The United States joined the Berne Convention in the 1980s, and Congress enacted the Berne Convention Implementation Act of 1988 in order to bring U.S. copyright law into compliance with Berne. The Implementation Act did not explicitly introduce any moral rights provisions into the Copyright Act, which some might argue renders the U.S. out of compliance with the Convention. However, the U.S. has taken the position that, although the Copyright Act does not explicitly provide for moral rights, in fact a variety of

state and federal laws outside of the Copyright Act do, in their totality, provide authors with the functional equivalent of moral rights. The leading *de facto* moral rights case is *Gilliam v. American Broadcasting Cos. Inc.*, 538 F.2d 14 (2<sup>nd</sup> Cir. 1976), in which the creators of Monty Python’s Flying Circus successfully asserted § 43(a) of the Lanham Act to hold ABC liable for abridging episodes of the television show in a manner that distorted the integrity of their work, resulting in harm to their reputation.

In 1990, Congress enacted the Visual Artists Rights Act of 1990 (“VARA”), which provides some protection of moral rights for a limited category of copyright works, particularly “works of visual art.”<sup>15</sup> Section 101 of the Copyright Act defines a “work of visual art” as:

- (1) a painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author...; or
- (2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

With respect to the attribution right, VARA allows authors to: (1) claim authorship of works they created; (2) prevent the use of their names on works that they did not create; and (3) prevent use of their names when works they created have been distorted in a way that would harm their reputation.<sup>16</sup> With respect to the integrity right, VARA allows authors to prevent the intentional mutilation or distortion of their works in a way that would harm their reputation.<sup>17</sup> Furthermore, VARA allows the authors of “works of recognized stature” to prevent the destruction of such a work.<sup>18</sup>

VARA rights are only available for the author, and they end when the author dies. An author can waive their VARA rights in writing, but the rights cannot be transferred to another. The assignment of copyright in a work neither conveys VARA rights nor constitutes a waiver of those rights.

Some things to consider when reading *Castillo*:

1. In this decision, the court must first decide whether the copyrighted works at issue (aerosol paintings on the defendant’s building) qualify under VARA as works of “recognized stature,” and after concluding that they do, the court has to determine whether the defendant violated the artists’ VARA rights (he did).
2. This case introduces the topic of “statutory damages,” which is a form of remedy unique to copyright law, and which will be addressed in more detail later in this casebook.

### *Castillo v. G&M Realty L.P.*

950 F.3d 155 (2d Cir. 2020)

BARRINGTON D. PARKER, Circuit Judge:

Defendants-Appellants G&M Realty L.P. and Gerald Wolkoff (collectively “Wolkoff”) appeal from a judgment of the United States District Court for the Eastern District of New York. The court concluded that Wolkoff violated the Visual Artists Rights Act of 1990, 17 U.S.C. § 106A (“VARA”), by destroying artwork of Plaintiffs-Appellees, artists who created and displayed their work at the 5Pointz site in Long Island City, New York. We hold that the district court correctly concluded that the artwork created by Appellees was protected by VARA and that Wolkoff’s violation of the statute was willful. Furthermore, the damages awarded involved no abuse of discretion. Accordingly, we affirm the judgment below.

The facts as found by the district court established that in 2002, Wolkoff undertook to install artwork in a series of dilapidated warehouse buildings that he owned in Long Island City, New York. Wolkoff enlisted Appellee Jonathan Cohen, a distinguished aerosol artist, to turn the warehouses into an exhibition space for artists. Cohen and other artists rented studio spaces in the warehouses and filled the walls with aerosol art, with Cohen serving as curator. Under Cohen’s leadership, the site, known as 5Pointz, evolved into a major global center for aerosol art. It attracted thousands of daily visitors, numerous celebrities, and extensive media coverage.

“Creative destruction” was an important feature of the 5Pointz site. Some art at the site achieved permanence, but other art had a short lifespan and was repeatedly painted over. An elaborate system of norms—including Cohen’s permission and often consent of the artist whose work was overpainted—governed the painting process. Cohen divided the walls into “short-term rotating walls,” where works would generally last for days or weeks, and “longstanding walls,” which were more permanent and reserved for the best works at the site. During its lifespan, 5Pointz was home to a total of approximately 10,650 works of art.

In May 2013, Cohen learned that Wolkoff had sought municipal approvals looking to demolish 5Pointz and to build luxury apartments on the site. Seeking to prevent that destruction, Cohen applied to the New York City Landmark Preservation Commission to have 5Pointz designated a site of cultural significance. The application was unsuccessful, as were Cohen’s efforts to raise money to purchase the site.

At that point, Cohen, joined by numerous 5Pointz artists, sued under VARA to prevent destruction of the site. VARA, added to the copyright laws in 1990, grants visual artists certain “moral rights” in their work. See 17 U.S.C. § 106A(a). Specifically, the statute prevents modifications of artwork that are harmful to artists’ reputations. *Id.* § 106A(a)(3)(A). The statute also affords artists the right to prevent destruction of their work if that work has achieved “recognized stature” and carries over this protection even after the work is sold. *Id.* § 106A(a)(3)(B). Under §§ 504(b) and (c) an artist who establishes a violation of VARA may obtain actual damages and profits or statutory damages, which are enhanced if the artist proves that a violation was willful.

Early in the litigation, Plaintiffs applied for a temporary restraining order to prevent the demolition of the site, which the district court granted. As the TRO expired, Plaintiffs applied for a preliminary injunction. On November 12, 2013, the court denied the application in a minute order but told the parties that a written opinion would soon follow.

That night, Wolkoff began to destroy the artwork. He banned the artists from the site and refused them permission to recover any work that could be removed. Several nights later (and before the district court’s



written opinion could issue), Wolkoff deployed a group of workmen who, at his instruction, whitewashed the art.

On November 20, 2013, the district court issued its opinion denying the preliminary injunction. Judge Block concluded that, although some of the 5Pointz paintings may have achieved recognized stature, resolution of that question was best reserved for trial. The court also decided that, given the transitory nature of much of the work, preliminary injunctive relief was inappropriate and that the monetary damages available under VARA could remediate any injury proved at trial.

Following the destruction of the art, nine additional artists sued Wolkoff. The two lawsuits were consolidated for trial, which would primarily address whether the artwork had achieved recognized stature and, if it had, the value of the art Wolkoff destroyed. The three-week trial included testimony from 29 witnesses and saw the admission of voluminous documentary evidence.

Although Plaintiffs had initially demanded a trial by jury, near the conclusion of the trial, the parties agreed to waive a jury, and the district court converted it to an advisory jury. On November 15, 2017, the advisory jury returned its verdict. It made individualized findings as to each artist and work and found violations of VARA as to 36 of the 49 works that were whitewashed. More precisely, the advisory jury found that 28 works had achieved recognized stature and had been unlawfully destroyed and that 8 other works had been mutilated or distorted to the detriment of the artists' reputations. It recommended an award of \$545,750 in actual damages and \$651,750 in statutory damages.

On February 12, 2018, the district court issued its findings of fact and conclusions of law. Drawing on a vast record, the court found that 45 of the works had achieved recognized stature, that Wolkoff had violated VARA by destroying them, and that the violation was willful. More specifically, the court observed that the works "reflect[ed] striking technical and artistic mastery and vision worthy of display in prominent museums if not on the walls of 5Pointz." The findings emphasized Cohen's prominence in the world of aerosol art, the significance of his process of selecting the artists who could exhibit at 5Pointz, and the fact that, while much of the art was temporary, other works were on display for several years. Judge Block credited the artists' evidence of outside recognition of the 5Pointz works and expert testimony as to the works' stature. The court declined to impose liability with respect to the four remaining works because they had not achieved long-term preservation, were insufficiently discussed outside of 5Pointz, and were not modified to the detriment of the artists' reputations.

Where a violation of VARA is established, the statute permits the injured party to recover either actual damages and profits or statutory damages. 17 U.S.C. § 504. The statute fixes statutory damages between \$750 and \$30,000 per work but authorizes damages of up to \$150,000 per work if a litigant proves that a violation was "willful." *Id.* § 504(c). There was extensive expert testimony as to actual damages. Elizabeth Littlejohn, the artists' expert, testified that each of the works in question had a substantial monetary value, employing a complex formula that attempted to scale that value to account for the relative merit and recognition of each work. On the other hand, Christopher Gaillard, Wolkoff's expert, testified that, given the difficulties of removing and selling the 5Pointz paintings and the 5Pointz artists' limited sales history, the destroyed works did not have a reliable market value. Ultimately, the district court concluded that it could not reliably fix the market value of the destroyed paintings and, for that reason, declined to award actual damages. The court

said that Littlejohn's formula was flawed and that Gaillard credibly testified to challenges that would impede calculation of a market value.

Nonetheless, the court did award statutory damages. It determined that statutory damages would serve to sanction Wolkoff's conduct and to vindicate the policies behind VARA. In addition, and in accord with the advisory jury's verdict, the court found that Wolkoff had acted willfully. This finding was based on Wolkoff's awareness of the ongoing VARA litigation and his refusal to afford the artists the 90-day opportunity provided by the statute to salvage their artwork, some of which was removable. See 17 U.S.C. § 113(d)(2)(B). Judge Block was unpersuaded by Wolkoff's assertion that he whitewashed the artwork to prevent the artists from engaging in disruption and disorderly behavior at the site. Instead, he found that Wolkoff acted out of "pure pique and revenge for the nerve of the plaintiffs to sue to attempt to prevent the destruction of their art." Judge Block awarded the maximum amount of statutory damages: \$150,000 for each of the 45 works, for a total of \$6.75 million.

Appellants then moved, pursuant to Fed. R. Civ. P. 52(b) and 59(a), to set aside the court's findings of fact and conclusions of law and to retry the case. The district court denied this motion and, in a lengthy appendix, marshalled the evidence in the record supporting the court's findings as to the recognized stature of each work in question.

The court also offered additional support for its finding of willfulness. The court concluded that Wolkoff's affidavit testimony submitted during the preliminary injunction proceedings contained material untruths. Wolkoff's affidavit stated that the demolition of 5Pointz had to be completed by the beginning of 2014, with construction to commence in April 2014. At trial, however, Wolkoff testified that he did not apply for a demolition permit until March 2014. The district court stated that it would have granted the preliminary injunction had Wolkoff testified earlier that demolition could be delayed until March. This appeal followed.

## DISCUSSION

### I

VARA creates a scheme of moral rights for artists. "The right of attribution generally consists of the right of an artist to be recognized by name as the author of his work or to publish anonymously or pseudonymously ...." *Carter v. Helmsley-Spear, Inc.*, 71 F.3d 77, 81 (2d Cir. 1995). It further includes the right to prevent the artist's work from being attributed to another and to prevent the use of the artist's name on works created by others. The right of integrity allows the [artist] to prevent any deforming or mutilating changes to his work, even after title in the work has been transferred.

Most importantly for this appeal, VARA gives "the author of a work of visual art" the right "to prevent any destruction of a work of recognized stature" and provides that "any intentional or grossly negligent destruction of that work is a violation of that right." 17 U.S.C. § 106A(a)(3)(B). VARA further permits the artist "to prevent any intentional distortion, mutilation, or other modification of [his or her work] which would be prejudicial to his or her honor or reputation," and provides that "any intentional distortion, mutilation, or modification of that work is a violation of that right." 17 U.S.C. § 106A(a)(3)(A). The latter provision applies regardless of a work's stature. These rights may not be transferred, but they "may be waived if the author expressly agrees to such waiver in a written instrument signed by the author." *Id.* § 106A(e)(1).

Additionally, the statute contains specific provisions governing artwork incorporated into a building. If the artwork is incorporated “in such a way that removing the work from the building will cause the destruction, distortion, mutilation, or other modification of the work,” then the artist’s rights may be waived if and only if he “consented to the installation of the work in the building ... in a written instrument.” *Id.* § 113(d)(1). This instrument must be “signed by the owner of the building and the author” and must “specif[y] that the installation of the work may subject the work to destruction, distortion, mutilation, or other modification, by reason of its removal.” However, “[i]f the owner of a building wishes to remove a work of visual art which is a part of such building and which can be removed from the building without the destruction, distortion, mutilation, or other modification of the work,” then the artist’s rights prevail unless one of two things has occurred. *Id.* § 113(d)(2). First, the building’s owner “has made a diligent, good faith attempt without success to notify the author of the owner’s intended action affecting the work of visual art.” Or second, the owner has “provide[d] such notice in writing and the person so notified failed, within 90 days after receiving such notice, either to remove the work or to pay for its removal.”

Damages for violations of VARA’s rights of attribution and integrity are governed by general copyright law and include both actual and statutory damages. Statutory damages may range from \$750 to \$30,000 per work “as the court considers just.” *Id.* § 504(c)(1). However, if “the [artist] sustains the burden of proving, and the court finds, that [a violation of VARA] was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than \$150,000 [per work].” *Id.* § 504(c)(2).

## II

The crux of the parties’ dispute on this appeal is whether the works at 5Pointz were works of “recognized stature,” thereby protected from destruction under § 106A(a)(3)(B). We conclude that a work is of recognized stature when it is one of high quality, status, or caliber that has been acknowledged as such by a relevant community. See *Carter v. Helmsley-Spear, Inc.*, 861 F. Supp. 303, 324-25 (S.D.N.Y. 1994); see also, e.g., *Martin v. City of Indianapolis*, 192 F.3d 608, 612 (7th Cir. 1999). A work’s high quality, status, or caliber is its stature, and the acknowledgement of that stature speaks to the work’s recognition.

The most important component of stature will generally be artistic quality. The relevant community will typically be the artistic community, comprising art historians, art critics, museum curators, gallerists, prominent artists, and other experts. Since recognized stature is necessarily a fluid concept, we can conceive of circumstances under which, for example, a “poor” work by an otherwise highly regarded artist nonetheless merits protection from destruction under VARA. This approach helps to ensure that VARA protects the public interest in preserving the nation’s culture. This approach also ensures that the personal judgment of the court is not the determinative factor in the court’s analysis.

After all, we are mindful of Justice Holmes’s cautionary observation that “[i]t would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [visual art],” *Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239, 251 (1903). For that reason, aside from the rare case where an artist or work is of such prominence that the issue of recognized stature need not be tried, expert testimony or substantial evidence of non-expert recognition will generally be required to establish recognized stature.

## III

Accordingly, to establish a violation of VARA in this case, the artists were required to demonstrate that their work had achieved recognized stature. Judge Block found that they did so. He concluded that “the plaintiffs adduced such a plethora of exhibits and credible testimony, including the testimony of a highly regarded expert, that even under the most restrictive of evidentiary standards almost all of the plaintiffs’ works easily qualify as works of recognized stature.” These findings of fact are reviewable only for clear error. A finding is “clearly erroneous” when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed.” Appellants do not hurdle this high bar.

In attempting to do so, Wolkoff takes issue with a number of the decisions Judge Block made in the process of reaching his conclusions. The proceedings below were contested by able counsel and involved voluminous exhibits and extensive lay and expert testimony. On this appeal, Wolkoff would have us revisit and reconsider a number of those decisions that were debatable. But on this appeal, Wolkoff must demonstrate that Judge Block abused his discretion or that findings of fact he made were clearly erroneous, not simply debatable.

Initially, Wolkoff contends that the great majority of the works in question were temporary ones which, for that reason, could not meet the recognized stature requirement. We disagree. We see nothing in VARA that excludes temporary artwork from attaining recognized stature. Unhelpful to this contention is the fact that Wolkoff’s own expert acknowledged that temporary artwork can achieve recognized stature.

The statute does not adopt categories of “permanent” and “temporary” artwork, much less include a definition of these terms. VARA is distinctive in that a work of visual art is defined by the Act in terms both positive (what it is) and negative (what it is not). In narrowing the scope of the statute, Congress adopted a highly specific definition of visual art. In light of this specificity, we see no justification for adopting an additional requirement not included by Congress, even if that requirement is styled as a component of recognized stature. To do so would be to upset the balance achieved by the legislature.

Additionally, at least as recently as 2005, New York City saw a clear instance where temporary artwork achieved recognized stature. That winter, artists Christo Vladimirov Javacheff and Jeanne-Claude Denat, known collectively as “Christo,” installed 7,503 orange draped gates in Central Park. This work, known as “The Gates,” lasted only two weeks but was the subject of significant critical acclaim and attention, not just from the art world but also from the general public. As Wolkoff concedes, “The Gates” achieved recognized stature and would have been protected under VARA.

In recent years, “street art,” much of which is “temporary,” has emerged as a major category of contemporary art. As one scholar has noted, “street art” has “blossomed into far more than spray-painted tags and quickly vanishing pieces ... painted by rebellious urbanites. In some quarters, it has become high art.” For example, noted street artist Banksy has appeared alongside President Barack Obama and Apple founder Steve Jobs on *Time* magazine’s list of the world’s 100 most influential people. Though often painted on building walls where it may be subject to overpainting, Banksy’s work is nonetheless acknowledged, both by the art community and the general public, as of significant artistic merit and cultural importance. Famously, Banksy’s *Girl with a Balloon* self-destructed after selling for \$1.4 million at Sotheby’s, but, as with Banksy’s street art, the temporary quality of this work has only added to its recognition.<sup>19</sup>

A Banksy painting at 5Pointz would have possessed recognized stature, even if it were temporary. Even if “The Gates” had been replaced with another art exhibit, that work would have maintained its recognized stature. Although a work’s short lifespan means that there will be fewer opportunities for the work to be viewed and evaluated, the temporary nature of the art is not a bar to recognized stature.

The district court correctly observed that when Congress wanted to impose durational limits on work subject to VARA, it knew how to do so. For example, the statute provides that “[t]he modification of a work of visual art which is a result of the passage of time or the inherent nature of the materials is not a distortion, mutilation, or other modification described in subsection (a)(3)(A).” 17 U.S.C. § 106A(c)(1). For that reason, the gradual erosion of outdoor artwork exposed to the elements or the melting of an ice sculpture does not threaten liability. Congress also imposed a durational limit insofar as the statute protects only works that are “fixed”—“sufficiently permanent ... to be perceived ... for a period of more than transitory duration.” *Id.* §§ 101, 102(a). We have held that a work that exists for only 1.2 seconds is of merely transitory duration but have noted with approval cases holding that a work “embodied ... for at least several minutes” is of more than transitory duration. *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 127-28 (2d Cir. 2008). It is undisputed that the 5Pointz works survived far longer than this and therefore satisfied the statute’s minimal durational requirement.

As a variation on the theme that temporary artwork does not merit VARA protection, Wolkoff contends that because the artists were aware that the 5Pointz buildings might eventually be torn down, they should have expected their work to be destroyed. The district court correctly observed, however, that VARA accounts for this possibility. Under § 113(d), if the art at 5Pointz was incorporated into the site such that it could not be removed without being destroyed, then Wolkoff was required to obtain “a written instrument ... that [was] signed by the owner of the building and the [artist] and that specific[d] that installation of the work may subject the work to destruction, distortion, mutilation, or other modification, by reason of its removal.” 17 U.S.C. § 113(d)(1)(B). It is undisputed that no such instrument was executed. If, on the other hand, the 5Pointz art could have been safely removed, then Wolkoff was required to provide written notice of the planned demolition and to allow the artists 90 days to remove the work or to pay for its removal. See *id.* § 113(d)(2)(B). Again, it is undisputed that Wolkoff did none of this.

#### IV

Wolkoff contends that the district court erroneously focused on the stature of the 5Pointz site rather than the individual 5Pointz works. Yet again we see no error. The district court did not focus exclusively on the stature of the site. The court considered the individual works at the site and determined that some were not of recognized stature. Setting that aside, we easily conclude that the site of a work is relevant to its recognition and stature and may, in certain cases, render the recognition and stature of a work beyond question. Appearance at a major site—e.g., the Louvre or the Prado—ensures that a work will be recognized, that is, seen and appreciated by the public and the art community. The appearance of a work of art at a curated site such as a museum or 5Pointz means that the work has been deemed meritorious by the curator and therefore is evidence of stature. When the curator is distinguished, his selection of the work is especially probative. Consequently, we see no error when the district court considered the 5Pointz site itself as some evidence of the works’ recognized stature.

Because the district court applied the correct legal standard and did not commit clear error, its determination as to liability is affirmed.

## V

Appellants next challenge the district court's award of damages. The court did not award actual damages because it could not quantify the market value of the 5Pointz art. However, the court found that Appellants' violation of VARA was willful, and the advisory jury arrived at the same conclusion. See 17 U.S.C. § 504(c)(2). A violation is willful when a defendant had knowledge that its conduct was unlawful or recklessly disregarded that possibility.

We review the district court's finding of willfulness for clear error, and we see none. As Judge Block found, Wolkoff admitted his awareness, prior to destroying 5Pointz, that the artists were pressing VARA claims. Additionally, VARA contains provisions limiting artists' rights vis-à-vis building owners when owners give them 90 days' notice and the opportunity to remove their artwork, 17 U.S.C. § 113(d)(2), but Wolkoff testified that, although he was advised by counsel both before and after the destruction, he chose "to hire people to whitewash[ ] it in one shot instead of *waiting for three months*." The district court found that this testimony evinced a deliberate choice to violate VARA rather than to follow the statutory notice procedures. Wolkoff did not help his cause when he later reminded the district court that he "would make the same decision today."

Most troubling to the district court and to us is Wolkoff's decision to whitewash the artwork at all. Nothing in the record indicates that it was necessary to whitewash the artwork before beginning construction of the apartments. The district court found that Wolkoff could have allowed the artwork to remain visible until demolition began, giving the artists time to photograph or to recover their work. Instead, he destroyed the work immediately after the district court denied the preliminary injunction and before the district court could finalize its promised written opinion.

Wolkoff testified that he whitewashed the work to prevent the artists from illegally salvaging their work. However, he offered no basis for this belief and, to the contrary, testified that the artists had always behaved lawfully. The district court was entitled to conclude, based on this record, that Wolkoff acted willfully and was liable for enhanced statutory damages.

## VI

Finally, we address Wolkoff's challenge to the amount of the statutory damages awarded—\$6,750,000—the maximum amount allowed. District courts enjoy wide discretion in setting statutory damages. We review the award of those damages for abuse of discretion. To find an abuse of discretion, we must be convinced that the district court based its decision on an error of law, applied the incorrect legal standard, made a clearly erroneous factual finding, or reached a conclusion that cannot be located within the range of permissible decisions. We see no abuse here.

The district court carefully considered the six factors relevant to a determination of statutory damages and concluded that "Wolkoff rings the bell on each relevant factor." Those six, drawn from copyright law, are "(1) the infringer's state of mind; (2) the expenses saved, and profits earned, by the infringer; (3) the revenue lost by the copyright holder; (4) the deterrent effect on the infringer and third parties; (5) the infringer's

cooperation in providing evidence concerning the value of the infringing material; and (6) the conduct and attitude of the parties.”

First, Wolkoff’s state of mind is documented in the district court’s extensive finding on willfulness, which we see no reason to disturb. In other respects, this factor cuts in the artists’ favor. As the district court properly found, Wolkoff, a sophisticated real estate developer, was “willing to run the risk of being held liable for substantial statutory damages rather than to jeopardize his multimillion dollar luxury condo project.” Moreover, Wolkoff whitewashed the artworks without any genuine business need to do so. It was simply, as the district court found, an “act of pure pique and revenge” toward the artists who had sued him. As the district court also found, Wolkoff set out in the dark of night, using the cheapest paint available, standing behind his workers and urging them to “keep painting” and “paint everything.” The whitewashing did not end the conflict in a single evening. The effects lingered for almost a year. The district court noted that the sloppy, half-hearted nature of the whitewashing left the works easily visible under layers of cheap white paint, reminding the artists on a daily basis of what had happened to them. Moreover, the mutilated artworks were visible to millions of people passing the site on the subway.

The lost revenue prong is not as straightforward but nonetheless also tips toward the artists. The district court declined to award actual damages, which Wolkoff takes to mean that the artists suffered no loss in revenue. However, as the district court said, this decision was based on the difficulty of quantifying Appellees’ loss, not on the absence of any loss. Unlike actual damages, statutory damages do not require the precise monetary quantification of injury. Consequently, the district court was within its discretion in determining that Appellees’ loss was significant, for purposes of statutory damages, but not compensable through actual damages. As the district court expressly recognized, “[t]he value of 5Pointz to the artists’ careers was significant, and its loss, though difficult to quantify, precluded future opportunities and acclaim.”

The deterrent effect on the infringer and third parties also supports the amount of statutory damages imposed by the court. Wolkoff admitted that he had no remorse for his actions. To the contrary he confessed that he “would make the same decision today.” In these circumstances, a maximum statutory award could serve to deter Wolkoff from future violations of VARA. It could further encourage other building owners to negotiate in good faith with artists whose works are incorporated into structures and to abide by the 90-day notice provision set forth in VARA when incorporated art can be removed without destruction or other modification.

The final factor—the conduct and attitude of the parties—also cuts in favor of the maximum statutory award. During the preliminary injunction phase, Wolkoff testified that it was critical that demolition of the site occur within a few months at most because otherwise he stood to lose millions of dollars in credits and possibly the entire project. Wolkoff later changed his testimony and stated that at the time of the preliminary injunction hearing, there was at most a “possibility” that a delay would have caused him financial loss. Subsequently, the evidence at trial established that Wolkoff had not even applied for a demolition permit until four months after the whitewashing, and he admitted that he suffered no loss for the delay. The district court described these statements as “conscious material misrepresentation[s]” and noted that had they not been made, it would have granted the preliminary injunction.

In contrast, throughout the proceedings below, the artists complied with what the law required. Cohen

sought landmark designation and, when that option became unavailable, sought to purchase the site. Judge Block noted that the artists “conducted themselves with dignity, maturity, respect, and at all times within the law.” In sum, we conclude that the district court appropriately analyzed each relevant factor and see no abuse of discretion. We have considered Wolkoff’s other contentions and conclude that they lack merit.

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## Check Your Understanding – *Castillo*

**Question 1.** True or false: The owner of any copyright in a “work of recognized stature” created after the implementation date of the Visual Artists Rights Act of 1990 (“VARA”) enjoys the rights of attribution and integrity with respect to that work.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-192>

**Question 2.** What is the significance of the designation “work of recognized stature” under VARA?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=154#h5p-193>

## FOOTNOTES:

<sup>1</sup> Cambridge Dictionary defines a “lexicon” as “(a list of) all the words used in a particular language or subject, or a dictionary.”

<sup>2</sup> In musical terms, assuming that the composition was copied, Pettibone “transposed” the horn hit in Love Break by one-half step, resulting in notes that are half a step higher in *Vogue*.

<sup>3</sup> For example, Plaintiff hired Shimkin and then brought this action, raising doubts about Shimkin’s credibility; Pettibone and others testified that Shimkin was not present during the creation of *Vogue* and was not even employed by Pettibone at that time; and Defendants’ experts dispute the analysis and conclusions of Plaintiff’s experts.

<sup>4</sup> It also is not clear that the cited policy reasons are necessarily persuasive. For example, this particular case presents an example in which there is uncertainty as to enforcement—musical experts disagree as to whether sampling occurred. As another example, it is not necessarily true that the market will keep license



prices “within bounds”—it is possible that a bright-line rule against sampling would unduly stifle creativity in certain segments of the music industry because the licensing costs would be too expensive for the amateur musician. In any event, even raising these counter-points demonstrates that the arguments, as Plaintiff concedes, rest on policy considerations, not on statutory interpretation. **One cannot answer questions such as how much licensing cost is too much without exercising value judgments—matters generally assigned to the legislature.**

[5](#) A low-tech example might aid understanding. Imagine a product called the Pink Screener, which consists of a big piece of pink cellophane stretched over a frame. When put in front of a television, it makes everything on the screen look pinker. Someone who manages to record the programs with this pink cast (maybe by filming the screen) would have created an infringing derivative work. But the audiovisual display observed by a person watching television through the Pink Screener is not a derivative work because it does not incorporate the modified image in any permanent or concrete form. The Game Genie might be described as a fancy Pink Screener for video games, changing a value of the game as perceived by the current player, but never incorporating the new audiovisual display into a permanent or concrete form.

[6](#) ReDigi was not making efforts in the shadows to infringe on copyrights. To the contrary, it invented a system designed in good faith to achieve a goal generally favored by the law of copyright, reasonably hoping the system would secure court approval as conforming to the demands of the Copyright Act.

[7](#) We recognize that the use of computers with digital files of protected matter will often result in the creation of innocuous copies which we would be loath to consider infringements because doing so would effectively bar society from using invaluable computer technology in relation to protected works. We believe this precedent will not have that undesirable effect for reasons discussed below in the section on fair use. What we consider here is that the making of unauthorized reproductions in pursuit of an objective to distribute protected matter in competition with the rights holder. The production of innocuous, unauthorized reproductions through the unavoidable function of a computer, when done for purposes that do not involve competing with the rights holder in its exclusive market, is outside the scope of this dispute.

[8](#) The public display right is invoked in several cases presented in this book: *Playboy Enterprises, Inc. v. Russ Hardenburgh, Inc.*, 982 F. Supp. 503 (N.D. Ohio 1997); *Religious Tech. Center v. Netcom On-Line Comm.*, 907 F.Supp. 1361 (N.D.Cal.1995); and *Viacom Int’l, Inc. v. YouTube, Inc.* 676 F.3d 19 (2d Cir. 2012). In *Viacom Int’l, Inc. v. YouTube, Inc.* the plaintiffs alleged that unauthorized posting of copyrighted content on YouTube constituted infringement of both the public performance and public display rights (as well as the reproduction right).

[9](#) *Cmt’y. Television of Utah, LLC v. Aereo, Inc.*, 997 F. Supp. 2d 1191, 1199 (D. Utah 2014).

[10](#) See, e.g., *McGucken v. Newsweek*, 2022 WL 836786 (S.D.N.Y 2022) (rejecting the Server Test); *Goldman v. Breitbart*, 302 F. Supp. 3d 585, 586 (S.D.N.Y 2018) (holding that publishing an embedded tweet featuring Tom Brady was sufficient for direct infringement, even if Twitter did not store or host the infringing image); *Leader’s Institute, LLC v. Jackson*, 2017 WL 5629514 (N.D. Tex. Nov. 22, 2017) (“[t]o the extent *Perfect 10* makes actual possession of a copy a necessary condition to violating a copyright owner’s exclusive right to display her copyrighted works, the Court respectfully disagrees with the Ninth Circuit.”).

[11](#) *Hunley v. Instagram, LLC*, 73 F.4th 1060, 1071 (9th Cir. 2023).

[12](#) Co-plaintiff Christina Mittermeier, a photographer who took a still photograph of the same polar bear that was also widely embedded on online news sites, does not allege that the Sinclair Defendants embedded her photo. As such, the Court does not discuss factual allegations and claims relevant only to Mittermeier.

[13](#) Copyright Royalty Judges oversee the copyright law's statutory licenses, which permit qualified parties to use multiple copyrighted works without obtaining separate licenses from each copyright owner. The Judges determine and adjust royalty rates and terms applicable to the statutory copyright licenses. They also oversee distribution of royalties deposited with the Copyright Office by certain statutory licensees and adjudicate controversies relating to the distributions. The Judges are appointed by the Librarian of Congress to serve staggered six-year terms.

[14](#) Public Law 115-364, 132 Stat. 3676. The Act was formerly known as the “Compensating Legacy Artists for their Songs, Service, and Important Contributions to Society” (“CLASSICS”) Act.

[15](#) Codified at 17 U.S.C. § 106A.

[16](#) 17 U.S.C. § 106A(a)(1) and (2).

[17](#) 17 U.S.C. § 106A(a)(3)(A).

[18](#) 17 U.S.C. § 106A(a)(3)(B).

[19](#) Scott Reyburn, How Banksy's Prank Might Boost His Prices: 'It's a Part of Art History', N.Y. Times (Oct. 7, 2018), <https://www.nytimes.com/2018/10/07/arts/design/banksy-artwork-painting.html>.

# Chapter 10: Indirect Infringement

Under the doctrine of “indirect” copyright infringement (sometimes referred to as “secondary liability”), a court can, under certain circumstances, hold a party liable for the infringing acts of another. The doctrine of indirect copyright infringement arises solely out of judge-made law, finding no explicit support in the Copyright Act; nonetheless, it is well established and has been endorsed by the U.S. Supreme Court. The doctrine plays an important role in cases in which a copyright owner does not have a viable cause of action against any direct infringer, often because the direct infringer is difficult to identify or judgment-proof, i.e., a party that is financially insolvent, or whose income and assets cannot be obtained in satisfaction of a judgment. For example, in the first case presented below, *Fonovisa v. Cherry Auction*, the defendant is the operator of a flea market. The flea market operator is not directly infringing any copyright, but vendors at the flea market are, and as a practical matter it makes more sense for the copyright owner to sue the flea market operator than to attempt to go after the vendors directly.

The case law has established two distinct forms of indirect copyright infringement, and both are successfully asserted in the following case. These two forms of indirect copyright infringement are referred to as (1) vicarious liability, and (2) contributory liability. In order for a copyright plaintiff to prevail on either of these theories of liability, the plaintiff generally needs to establish two elements (although this can vary somewhat from circuit to circuit).

In the case of vicarious liability, the two elements are often stated as:

1. the right and ability to control the infringing activity; and
2. direct financial benefit from the infringement.

In the case of contributory liability, the two elements are often stated as:

1. materially contributing to, inducing, or causing another party’s infringing conduct; and
2. knowledge of the infringing activity.

Importantly, in order to prevail on either theory of indirect infringement, the plaintiff must establish that copyright infringement did occur, i.e., that a direct infringer did infringe the copyright.

Oftentimes, a party that is liable under one theory will also be liable under the other. But the two forms of indirect infringement are far from redundant, and there are cases where only one will be found applicable. For example, in *Shapiro, Bernstein and Co. v. H.L. Green Co.*, a landmark case on vicarious liability discussed below in *Fonovisa*, the owner of a department store was found vicariously liable for its concessionaire’s sale of counterfeit goods, but could not have been found liable for contributory infringement because the department store owner was unaware of the concessionaire’s infringement. Conversely, in a more recent case that also appears later in this casebook, *Sony Music Ent. v. Cox Commc’ns*, an internet service provider (ISP) was found liable for contributory infringement but not for vicarious infringement because the ISP did not profit from its subscribers’ acts of infringement, a legal prerequisite for vicarious liability.

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Some things to consider when reading *Fonovisa*:

1. The question for the court in this case is whether a swap meet (flea market) operator can be held liable for the infringing conduct of vendors who are selling (i.e., distributing) illegal copies of music CDs. Pay particular attention to the court's analysis for both forms of indirect infringement, vicarious and contributory.
2. The court's discussion and analysis of some seminal indirect infringement decisions, *Shapiro* and *Gershwin*.
3. The discussion of the dichotomy between the "landlord-tenant model" vs. the "dance hall model," and the court's use of analogy.

### *Fonovisa, Inc. v. Cherry Auction, Inc.*

76 F.3d 259 (9th Cir. 1996)

SCHROEDER, Circuit Judge:

This is a copyright and trademark enforcement action against the operators of a swap meet, sometimes called a flea market, where third-party vendors routinely sell counterfeit recordings that infringe on the plaintiff's copyrights and trademarks. The district court dismissed on the pleadings, holding that the plaintiffs, as a matter of law, could not maintain any cause of action against the swap meet for sales by vendors who leased its premises. We reverse.

#### **Background**

The plaintiff and appellant is Fonovisa, Inc., a California corporation that owns copyrights and trademarks to Latin/Hispanic music recordings. Fonovisa filed this action in district court against defendant-appellee, Cherry Auction, Inc., and its individual operators (collectively "Cherry Auction"). For purposes of this appeal, it is undisputed that Cherry Auction operates a swap meet in Fresno, California, similar to many other swap meets in this country where customers come to purchase various merchandise from individual vendors. The vendors pay a daily rental fee to the swap meet operators in exchange for booth space. Cherry Auction supplies parking, conducts advertising and retains the right to exclude any vendor for any reason, at any time, and thus can exclude vendors for patent and trademark infringement. In addition, Cherry Auction receives an entrance fee from each customer who attends the swap meet.

There is also no dispute for purposes of this appeal that Cherry Auction and its operators were aware that vendors in their swap meet were selling counterfeit recordings in violation of Fonovisa's trademarks and copyrights. Indeed, it is alleged that in 1991, the Fresno County Sheriff's Department raided the Cherry Auction swap meet and seized more than 38,000 counterfeit recordings. The following year, after finding that vendors at the Cherry Auction swap meet were still selling counterfeit recordings, the Sheriff sent a letter notifying Cherry Auction of the on-going sales of infringing materials, and reminding Cherry Auction that they had agreed to provide the Sheriff with identifying information from each vendor. In addition,

in 1993, Fonovisa itself sent an investigator to the Cherry Auction site and observed sales of counterfeit recordings.

Fonovisa filed its original complaint in the district court on February 25, 1993, and on March 22, 1994, the district court granted defendants' motion to dismiss pursuant to Federal Rule of Civil Procedure 12(b)(6). In this appeal, Fonovisa does not challenge the district court's dismissal of its claim for direct copyright infringement, but does appeal the dismissal of its claims for contributory copyright infringement, vicarious copyright infringement and contributory trademark infringement.

Although the Copyright Act does not expressly impose liability on anyone other than direct infringers, courts have long recognized that in certain circumstances, vicarious or contributory liability will be imposed. Similar principles have also been applied in the trademark field. We analyze each of the plaintiff's claims in turn.

### **Vicarious Copyright Infringement**

The concept of vicarious copyright liability was developed in the Second Circuit as an outgrowth of the agency principles of respondeat superior. The landmark case on vicarious liability for sales of counterfeit recordings is *Shapiro, Bernstein and Co. v. H.L. Green Co.*, 316 F.2d 304 (2d Cir.1963). In *Shapiro*, the court was faced with a copyright infringement suit against the owner of a chain of department stores where a concessionaire was selling counterfeit recordings. Noting that the normal agency rule of respondeat superior imposes liability on an employer for copyright infringements by an employee, the court endeavored to fashion a principle for enforcing copyrights against a defendant whose economic interests were intertwined with the direct infringer's, but who did not actually employ the direct infringer.

The *Shapiro* court looked at the two lines of cases it perceived as most clearly relevant. In one line of cases, the landlord-tenant cases, the courts had held that a landlord who lacked knowledge of the infringing acts of its tenant and who exercised no control over the leased premises was not liable for infringing sales by its tenant. In the other line of cases, the so-called "dance hall cases," the operator of an entertainment venue was held liable for infringing performances when the operator (1) could control the premises and (2) obtained a direct financial benefit from the audience, who paid to enjoy the infringing performance.

From those two lines of cases, the *Shapiro* court determined that the relationship between the store owner and the concessionaire in the case before it was closer to the dance-hall model than to the landlord-tenant model. It imposed liability even though the defendant was unaware of the infringement. *Shapiro* deemed the imposition of vicarious liability neither unduly harsh nor unfair because the store proprietor had the power to cease the conduct of the concessionaire, and because the proprietor derived an obvious and direct financial benefit from the infringement. The test was more clearly articulated in a later Second Circuit case as follows: "even in the absence of an employer-employee relationship one may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities." *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (2d Cir.1971). See also 3 Melville Nimmer & David Nimmer, *Nimmer on Copyright* § 1204(A)[1], at 1270-72 (1995).

The district court in this case agreed with defendant Cherry Auction that Fonovisa did not, as a matter of law, meet either the control or the financial benefit prong of the vicarious copyright infringement test articulated in *Gershwin*. Rather, the district court concluded that based on the pleadings, "Cherry Auction

neither supervised nor profited from the vendors' sales." In the district court's view, with respect to both control and financial benefit, Cherry Auction was in the same position as an absentee landlord who has surrendered its exclusive right of occupancy in its leased property to its tenants.

This analogy to absentee landlord is not in accord with the facts as alleged in the district court and which we, for purposes of appeal, must accept. The allegations below were that vendors occupied small booths within premises that Cherry Auction controlled and patrolled. According to the complaint, Cherry Auction had the right to terminate vendors for any reason whatsoever and through that right had the ability to control the activities of vendors on the premises. In addition, Cherry Auction promoted the swap meet and controlled the access of customers to the swap meet area. In terms of control, the allegations before us are strikingly similar to those in *Shapiro* and *Gershwin*.

In *Shapiro*, for example, the court focused on the formal licensing agreement between defendant department store and the direct infringer-concessionaire. There, the concessionaire selling the bootleg recordings had a licensing agreement with the department store (H.L. Green Company) that required the concessionaire and its employees to "abide by, observe and obey all regulations promulgated from time to time by the H.L. Green Company," and H.L. Green Company had the "unreviewable discretion" to discharge the concessionaires' employees. In practice, H.L. Green Company was not actively involved in the sale of records and the concessionaire controlled and supervised the individual employees. Nevertheless, H.L. Green's ability to police its concessionaire—which parallels Cherry Auction's ability to police its vendors under Cherry Auction's similarly broad contract with its vendors—was sufficient to satisfy the control requirement.

In *Gershwin*, the defendant lacked the formal, contractual ability to control the direct infringer. Nevertheless, because of defendant's "pervasive participation in the formation and direction" of the direct infringers, including promoting them (i.e. creating an audience for them), the court found that defendants were in a position to police the direct infringers and held that the control element was satisfied. As the promoter and organizer of the swap meet, Cherry Auction wields the same level of control over the direct infringers as did the *Gershwin* defendant.

The district court's dismissal of the vicarious liability claim in this case was therefore not justified on the ground that the complaint failed to allege sufficient control.

We next consider the issue of financial benefit. The plaintiff's allegations encompass many substantive benefits to Cherry Auction from the infringing sales. These include the payment of a daily rental fee by each of the infringing vendors; a direct payment to Cherry Auction by each customer in the form of an admission fee, and incidental payments for parking, food and other services by customers seeking to purchase infringing recordings.

Cherry Auction nevertheless contends that these benefits cannot satisfy the financial benefit prong of vicarious liability because a commission, directly tied to the sale of particular infringing items, is required. They ask that we restrict the financial benefit prong to the precise facts presented in *Shapiro*, where defendant H.L. Green Company received a 10 or 12 per cent commission from the direct infringers' gross receipts. Cherry Auction points to the low daily rental fee paid by each vendor, discounting all other financial benefits flowing to the swap meet, and asks that we hold that the swap meet is materially similar

to a mere landlord. The facts alleged by Fonovisa, however, reflect that the defendants reap substantial financial benefits from admission fees, concession stand sales and parking fees, all of which flow directly from customers who want to buy the counterfeit recordings at bargain basement prices. The plaintiff has sufficiently alleged direct financial benefit.

Our conclusion is fortified by the continuing line of cases, starting with the dance hall cases, imposing vicarious liability on the operator of a business where infringing performances enhance the attractiveness of the venue to potential customers. See, e.g., *Famous Music Corp. v. Bay State Harness Horse Racing and Breeding Ass'n*, 554 F.2d 1213, 1214 (1st Cir.1977) (race track owner vicariously liable for band that entertained patrons who were not “absorbed in watching the races”); *Shapiro*, 316 F.2d at 307 (dance hall cases hold proprietor liable where infringing “activities provide the proprietor with a source of customers and enhanced income”). In this case, the sale of pirated recordings at the Cherry Auction swap meet is a “draw” for customers, as was the performance of pirated music in the dance hall cases and their progeny.

Plaintiffs have stated a claim for vicarious copyright infringement.

### **Contributory Copyright Infringement**

Contributory infringement originates in tort law and stems from the notion that one who directly contributes to another’s infringement should be held accountable. Contributory infringement has been described as an outgrowth of enterprise liability, and imposes liability where one person knowingly contributes to the infringing conduct of another. The classic statement of the doctrine is in *Gershwin*, 443 F.2d 1159, 1162: “[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”

There is no question that plaintiff adequately alleged the element of knowledge in this case. The disputed issue is whether plaintiff adequately alleged that Cherry Auction materially contributed to the infringing activity. We have little difficulty in holding that the allegations in this case are sufficient to show material contribution to the infringing activity. Indeed, it would be difficult for the infringing activity to take place in the massive quantities alleged without the support services provided by the swap meet. These services include, inter alia, the provision of space, utilities, parking, advertising, plumbing, and customers.

Here again Cherry Auction asks us to ignore all aspects of the enterprise described by the plaintiffs, to concentrate solely on the rental of space, and to hold that the swap meet provides nothing more. Yet Cherry Auction actively strives to provide the environment and the market for counterfeit recording sales to thrive. Its participation in the sales cannot be termed “passive,” as Cherry Auction would prefer.

The district court apparently took the view that contribution to infringement should be limited to circumstances in which the defendant “expressly promoted or encouraged the sale of counterfeit products, or in some manner protected the identity of the infringers.” Given the allegations that the local sheriff lawfully requested that Cherry Auction gather and share basic, identifying information about its vendors, and that Cherry Auction failed to comply, the defendant appears to qualify within the last portion of the district court’s own standard that posits liability for protecting infringers’ identities. Moreover, we agree with the Third Circuit’s analysis in *Columbia Pictures Industries, Inc. v. Aveco, Inc.*, 800 F.2d 59 (3rd Cir.1986) that providing the site and facilities for known infringing activity is sufficient to establish contributory liability.

## Check Your Understanding – *Fonovisa*

**Question 1.** What elements must a plaintiff prove in order to establish a case of contributory liability?



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-59>

**Question 2.** Which of the following activities have been found to constitute a “direct financial interest” in the infringing activities of a third party for purposes of establishing vicarious copyright liability?



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-60>

Some things to consider when reading *Abdallah*:

1. Why did the defendant’s sale of “time-loaded” tapes result in liability for copyright infringement, while the sale of standard 30- or 60-minute tapes would not have resulted in any liability?
2. Could the defendant have been found liable for vicarious infringement?

### *A & M Recs., Inc. v. Abdallah*

948 F. Supp. 1449 (C.D. Cal. 1996)

LAUGHLIN E. WATERS, Senior District Judge.

Plaintiffs are twenty-six major record companies in the United States, doing business in Los Angeles, California. Together they own the copyrights and trademarks for the 156 sound recordings and 24 trade names that are listed in Appendices A and B attached hereto.

Defendant Mohammed Abdallah is the president and sole owner of GAVC. GAVC sells empty cassette cartridges, spools of blank recording tape, audio duplicating equipment, and “time-loaded” audio tapes. A “time-loaded” audio tape is a tape that runs for a certain time period that is specified by the customer. For example, a customer would order 10,000 tapes with a playing time of 27 minutes and 45 seconds, and GAVC



would then assemble 10,000 cassette tapes of that length out of blank recording tape and empty cassette cartridges using tape loading machines.

Between 1990 and 1992, GAVC sold time-loaded audio tapes to defendants Rizik Muslet, Mohammed Issa Halisi, and Mohammed Alabed. These individuals used the time-loaded audio tapes to illegally counterfeit the plaintiffs' copyrighted works.

Audiocassette counterfeiters such as Mr. Muslet, Mr. Halisi, and Mr. Alabed must have blank cassettes timed to specific lengths in order to produce marketable counterfeit tapes. Tapes of standard lengths (e.g. 30 or 60 minutes) are unacceptable because they either cut off the music of the sound recording or leave large amounts of silent time on each side of the tape. Therefore, counterfeiters are dependent on suppliers such as GAVC to acquire blank tapes that are timed to the specific length of the sound recording that they wish to counterfeit.

Throughout their business relationship, Mr. Muslet sent Mr. Abdallah numerous "legitimate" tapes (i.e., non-counterfeit tapes of sound recordings) to time. Mr. Abdallah would time these cassettes and send them back to Mr. Muslet with the time of the cassette written on it. Mr. Muslet would then use these times when ordering blank tapes from Mr. Abdallah.

Mr. Abdallah's knowledge of his customer's counterfeiting activities was also demonstrated by his conversations with his employee, Asmar Chabbo. Mr. Chabbo testified that Mr. Abdallah explained to him that some of GAVC's customers used the blank time-loaded tapes to counterfeit legitimate sound recordings, and also explained the methods that his customers used to counterfeit tapes.

Mr. Chabbo further testified to Mr. Abdallah's relationship with Mohammed Halisi, GAVC's largest customer. At one point Mr. Abdallah mentioned that he was worried about the credit he had extended to Mr. Halisi, because Mr. Halisi had been raided by the police for counterfeiting activities and all his merchandise had been seized. On another occasion, Mr. Halisi complained to Mr. Abdallah that the time-loaded cassettes he had purchased from GAVC were too short for the "Michael Jackson cassette." These and other episodes related by Mr. Chabbo made it clear that Mr. Abdallah was aware of Mr. Halisi's illegal counterfeiting activities and yet still continued to supply him with time-loaded audio cassettes.

In conclusion, this Court finds that at least three of Mr. Abdallah's customers engaged in a substantial amount of counterfeiting and trademark infringement. This Court further finds that the time-loaded cassettes which Mr. Abdallah sold to these customers was a material contribution to their counterfeiting activities, since audiotape counterfeiters must have blank tapes timed to specific lengths. Finally, and most critically, this Court concludes that Mr. Abdallah had actual knowledge of the counterfeiting and trademark infringement being done by his customers, and that, notwithstanding that knowledge, he continued to supply these customers with the time-loaded audiocassettes necessary to continue their counterfeiting activities.

There was no evidence that Mr. Abdallah or anyone at GAVC ever copied any sound recordings themselves.

### **III. Conclusions of law**

#### **A. Copyright infringement**

Since it is undisputed that Mr. Abdallah did not participate in any copyright or trademark violations directly, the plaintiff's only basis for liability rests on a theory of contributory liability. This theory was outlined in *Gershwin Publishing Corp. v. Columbia Artists Management*, 443 F.2d 1159, 1162 (2nd Cir.1971), which stated that "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another" is "equally liable with the direct infringer." Under *Gershwin*, a plaintiff must prove two elements in order to establish a case of contributory liability: 1) the underlying copyright violation; and 2) the defendant knowingly induced, caused or materially contributed to that violation.

The Ninth Circuit's most recent analysis of contributory copyright infringement is found in *Fonovisa v. Cherry Auction*, 76 F.3d 259 (9th Cir.1996). *Fonovisa* held that merely providing the site and facilities for known infringing activity is sufficient to establish contributory liability.

In the present case, the plaintiffs have established every element set out by *Gershwin*. As in *Fonovisa*, the underlying counterfeit activity is undisputed. This Court has concluded that Mr. Abdallah had actual knowledge of his customer's counterfeit activity and continued to provide them with time-loaded cassettes. And finally, the Court has found that Mr. Abdallah's provision of time-loaded cassettes was a material contribution to his customers' counterfeiting activities. Mr. Abdallah's contribution to the underlying counterfeiting activity seems at least as significant as the contribution made by the swap meet in *Fonovisa*. Therefore, the plaintiffs have successfully demonstrated that Mr. Abdallah is liable for contributory copyright infringement.

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## Check Your Understanding – *Abdallah*

**Question 1.** True or false: Abdallah could have been found liable for contributory infringement based on the sale of audiotapes of standard length (as opposed to time-loaded audiotapes) if it were to be established that he knew the purchaser of the tapes were using them for counterfeiting activities, and his sale of the tapes to the infringers contributed to the infringement.



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-61>

Some things to consider when reading *Sony*:

1. This is an important Supreme Court decision that grapples with the question of whether a party that provides consumers with technology that facilitates copyright infringement could be held liable for indirect copyright infringement.

2. The technology at issue is the videotape recorder (VTR), which at the time was revolutionary, allowing consumers to record copyrighted audiovisual works transmitted over the airwaves, e.g., movies and television programs, and to watch them later. VTR technology is no longer cutting-edge, but the holding of Sony remains the controlling test for determining the liability of firms that provide more modern technology that facilitates copyright infringement, such as peer-to-peer filesharing.
3. The Court looks to the Patent Act in arriving at what has become known as the Sony test (or Sony rule).
4. Consider the competing policy concerns at play in the case, both stated and unstated.
5. The portion of the Sony decision that addresses fair use appears later in this casebook's section on fair use.

### *Sony Corp. v. Universal City Studios, Inc.*

464 U.S. 417 (1984)

Justice STEVENS delivered the opinion of the Court.

Petitioners manufacture and sell home video tape recorders. Respondents own the copyrights on some of the television programs that are broadcast on the public airwaves. Some members of the general public use video tape recorders sold by petitioners to record some of these broadcasts, as well as a large number of other broadcasts. The question presented is whether the sale of petitioners' copying equipment to the general public violates any of the rights conferred upon respondents by the Copyright Act.

Respondents commenced this copyright infringement action against petitioners in the United States District Court for the Central District of California in 1976. Respondents alleged that some individuals had used Betamax video tape recorders (VTR's) to record some of respondents' copyrighted works which had been exhibited on commercially sponsored television and contended that these individuals had thereby infringed respondents' copyrights. Respondents further maintained that petitioners were liable for the copyright infringement allegedly committed by Betamax consumers because of petitioners' marketing of the Betamax VTR's. Respondents sought no relief against any Betamax consumer. Instead, they sought money damages and an equitable accounting of profits from petitioners, as well as an injunction against the manufacture and marketing of Betamax VTR's.

After a lengthy trial, the District Court denied respondents all the relief they sought and entered judgment for petitioners. The United States Court of Appeals for the Ninth Circuit reversed the District Court's judgment on respondent's copyright claim, holding petitioners liable for contributory infringement and ordering the District Court to fashion appropriate relief. We now reverse.

An explanation of our rejection of respondents' unprecedented attempt to impose copyright liability upon the distributors of copying equipment requires a quite detailed recitation of the findings of the District Court. In summary, those findings reveal that the average member of the public uses a VTR principally to record a program he cannot view as it is being televised and then to watch it once at a later time. This practice, known as "time-shifting," enlarges the television viewing audience. For that reason, a significant amount of television programming may be used in this manner without objection from the owners of the copyrights on the programs. For the same reason, even the two respondents in this case, who do

assert objections to time-shifting in this litigation, were unable to prove that the practice has impaired the commercial value of their copyrights or has created any likelihood of future harm. Given these findings, there is no basis in the Copyright Act upon which respondents can hold petitioners liable for distributing VTR's to the general public. The Court of Appeals' holding that respondents are entitled to enjoin the distribution of VTR's, to collect royalties on the sale of such equipment, or to obtain other relief, if affirmed, would enlarge the scope of respondents' statutory monopolies to encompass control over an article of commerce that is not the subject of copyright protection. Such an expansion of the copyright privilege is beyond the limits of the grants authorized by Congress.

## I

The two respondents in this action, Universal Studios, Inc. and Walt Disney Productions, produce and hold the copyrights on a substantial number of motion pictures and other audiovisual works. In the current marketplace, they can exploit their rights in these works in a number of ways: by authorizing theatrical exhibitions, by licensing limited showings on cable and network television, by selling syndication rights for repeated airings on local television stations, and by marketing programs on prerecorded videotapes or videodiscs.

Petitioner Sony manufactures millions of Betamax video tape recorders and markets these devices through numerous retail establishments, some of which are also petitioners in this action. Sony's Betamax VTR is a mechanism consisting of three basic components: (1) a tuner, which receives electromagnetic signals transmitted over the television band of the public airwaves and separates them into audio and visual signals; (2) a recorder, which records such signals on a magnetic tape; and (3) an adapter, which converts the audio and visual signals on the tape into a composite signal that can be received by a television set.

Several capabilities of the machine are noteworthy. The separate tuner in the Betamax enables it to record a broadcast off one station while the television set is tuned to another channel, permitting the viewer, for example, to watch two simultaneous news broadcasts by watching one "live" and recording the other for later viewing. Tapes may be reused, and programs that have been recorded may be erased either before or after viewing. A timer in the Betamax can be used to activate and deactivate the equipment at predetermined times, enabling an intended viewer to record programs that are transmitted when he or she is not at home. Thus a person may watch a program at home in the evening even though it was broadcast while the viewer was at work during the afternoon. The Betamax is also equipped with a pause button and a fast-forward control. The pause button, when depressed, deactivates the recorder until it is released, thus enabling a viewer to omit a commercial advertisement from the recording, provided, of course, that the viewer is present when the program is recorded. The fast forward control enables the viewer of a previously recorded program to run the tape rapidly when a segment he or she does not desire to see is being played back on the television screen.

The respondents and Sony both conducted surveys of the way the Betamax machine was used by several hundred owners during a sample period in 1978. Although there were some differences in the surveys, they both showed that the primary use of the machine for most owners was "time-shifting"—the practice of recording a program to view it once at a later time, and thereafter erasing it. Time-shifting enables viewers to see programs they otherwise would miss because they are not at home, are occupied with other tasks, or are viewing a program on another station at the time of a broadcast that they desire to watch. Both surveys

also showed, however, that a substantial number of interviewees had accumulated libraries of tapes. Sony's survey indicated that over 80% of the interviewees watched at least as much regular television as they had before owning a Betamax. Respondents offered no evidence of decreased television viewing by Betamax owners.

Sony introduced considerable evidence describing television programs that could be copied without objection from any copyright holder, with special emphasis on sports, religious, and educational programming. For example, their survey indicated that 7.3% of all Betamax use is to record sports events, and representatives of professional baseball, football, basketball, and hockey testified that they had no objection to the recording of their televised events for home use.

Respondents offered opinion evidence concerning the future impact of the unrestricted sale of VTR's on the commercial value of their copyrights. The District Court found, however, that they had failed to prove any likelihood of future harm from the use of VTR's for time-shifting.

...

### III

The Copyright Act does not expressly render anyone liable for infringement committed by another. In contrast, the Patent Act expressly brands anyone who "actively induces infringement of a patent" as an infringer, 35 U.S.C. § 271(b), and further imposes liability on certain individuals labeled "contributory" infringers, *id.*, § 271(c). The absence of such express language in the copyright statute does not preclude the imposition of liability for copyright infringements on certain parties who have not themselves engaged in the infringing activity. For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.

Respondents argue that supplying the "means" to accomplish an infringing activity and encouraging that activity through advertisement are sufficient to establish liability for copyright infringement. This argument rests on a gross generalization that cannot withstand scrutiny. Petitioners in the instant case do not supply Betamax consumers with respondents' works; respondents do. Petitioners supply a piece of equipment that is generally capable of copying the entire range of programs that may be televised: those that are uncopyrighted, those that are copyrighted but may be copied without objection from the copyright holder, and those that the copyright holder would prefer not to have copied.

If vicarious liability is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material. There is no precedent in the law of copyright for the imposition of vicarious liability on such a theory. The closest analogy is provided by the patent law cases to which it is appropriate to refer because of the historic kinship between patent law and copyright law.

In the Patent Code both the concept of infringement and the concept of contributory infringement are expressly defined by statute. The prohibition against contributory infringement is confined to the knowing sale of a component especially made for use in connection with a particular patent. Moreover, the Act

expressly provides that the sale of a “staple article or commodity of commerce suitable for substantial noninfringing use” is not contributory infringement.

When a charge of contributory infringement is predicated entirely on the sale of an article of commerce that is used by the purchaser to infringe a patent, the public interest in access to that article of commerce is necessarily implicated. A finding of contributory infringement does not, of course, remove the article from the market altogether; it does, however, give the patentee effective control over the sale of that item. Indeed, a finding of contributory infringement is normally the functional equivalent of holding that the disputed article is within the monopoly granted to the patentee.

For that reason, in contributory infringement cases arising under the patent laws the Court has always recognized the critical importance of not allowing the patentee to extend his monopoly beyond the limits of his specific grant. These cases deny the patentee any right to control the distribution of unpatented articles unless they are unsuited for any commercial noninfringing use. Unless a commodity has no use except through practice of the patented method, the patentee has no right to claim that its distribution constitutes contributory infringement. To form the basis for contributory infringement the item must almost be uniquely suited as a component of the patented invention.

We recognize there are substantial differences between the patent and copyright laws. But in both areas the contributory infringement doctrine is grounded on the recognition that adequate protection of a monopoly may require the courts to look beyond actual duplication of a device or publication to the products or activities that make such duplication possible. The staple article of commerce doctrine must strike a balance between a copyright holder’s legitimate demand for effective—not merely symbolic—protection of the statutory monopoly, and the rights of others freely to engage in substantially unrelated areas of commerce. Accordingly, the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.

#### IV

The question is thus whether the Betamax is capable of commercially significant noninfringing uses. In order to resolve that question, we need not explore all the different potential uses of the machine and determine whether or not they would constitute infringement. Rather, we need only consider whether on the basis of the facts as found by the district court a significant number of them would be non-infringing. Moreover, in order to resolve this case we need not give precise content to the question of how much use is commercially significant. For one potential use of the Betamax plainly satisfies this standard, however it is understood: private, noncommercial time-shifting in the home. It does so both (A) because respondents have no right to prevent other copyright holders from authorizing it for their programs, and (B) because the District Court’s factual findings reveal that even the unauthorized home time-shifting of respondents’ programs is legitimate fair use.

The Betamax is, therefore, capable of substantial noninfringing uses. Sony’s sale of such equipment to the general public does not constitute contributory infringement of respondent’s copyrights.

*[Editor’s note: The section of this decision in which the Court held that home time-shifting is fair use appears later in the fair use section of this casebook.]*

## V

One may search the Copyright Act in vain for any sign that the elected representatives of the millions of people who watch television every day have made it unlawful to copy a program for later viewing at home, or have enacted a flat prohibition against the sale of machines that make such copying possible.

It may well be that Congress will take a fresh look at this new technology, just as it so often has examined other innovations in the past. But it is not our job to apply laws that have not yet been written. Applying the copyright statute, as it now reads, to the facts as they have been developed in this case, the judgment of the Court of Appeals must be reversed.

It is so ordered.

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## Check Your Understanding – Sony

**Question 1.** In Sony, what role does patent law play in the Court’s decision?



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-62>

**Question 2.** True or false: Sony held that the sale of an article of commerce that is capable of substantial noninfringing uses does not constitute contributory infringement.



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-63>

Some things to consider when reading Napster:

1. In *Napster*, the Ninth Circuit applies its earlier holding in *Fonovisa* to an analogous scenario occurring in “cyberspace” and involving digital copies of sound recordings, rather than CDs.
2. What facts does the court point to in concluding that the plaintiff record companies have proven the necessary elements for establishing Napster’s liability for both contributory and vicarious copyright infringement?
3. Why does the court reject Napster’s assertion that it is protected from contributory liability by the holding of Sony?

4. Why does the court conclude that Sony is not relevant to the question of vicarious liability?

*A&M Recs., Inc. v. Napster, Inc.*

239 F.3d 1004 (9th Cir. 2001)

BEEZER, Circuit Judge:

Plaintiffs are engaged in the commercial recording, distribution and sale of copyrighted musical compositions and sound recordings. The complaint alleges that Napster, Inc. (“Napster”) is a contributory and vicarious copyright infringer.

**I**

It appears that Napster has designed and operates a system which permits the transmission and retention of sound recordings employing digital technology. Napster facilitates the transmission of MP3 files between and among its users. Through a process commonly called “peer-to-peer” file sharing, Napster allows its users to: (1) make MP3 music files stored on individual computer hard drives available for copying by other Napster users; (2) search for MP3 music files stored on other users’ computers; and (3) transfer exact copies of the contents of other users’ MP3 files from one computer to another via the Internet. These functions are made possible by Napster’s MusicShare software, available free of charge from Napster’s Internet site, and Napster’s network servers and server-side software. Napster provides technical support for the indexing and searching of MP3 files, as well as for its other functions, including a “chat room,” where users can meet to discuss music, and a directory where participating artists can provide information about their music.

**IV**

We first address plaintiffs’ claim that Napster is liable for contributory copyright infringement. Traditionally, “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.” *Gershwin Publ’g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2d Cir.1971); see also *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir.1996). Put differently, liability exists if the defendant engages in “personal conduct that encourages or assists the infringement.” *Matthew Bender & Co. v. West Publ’g Co.*, 158 F.3d 693, 706 (2d Cir.1998).

Napster, by its conduct, knowingly encourages and assists the infringement of plaintiffs’ copyrights.

**A. Knowledge**

Contributory liability requires that the secondary infringer “know or have reason to know” of direct infringement. The district court found that Napster had both actual and constructive knowledge that its users exchanged copyrighted music. The district court also concluded that the law does not require knowledge of “specific acts of infringement” and rejected Napster’s contention that because the company cannot distinguish infringing from noninfringing files, it does not “know” of the direct infringement.



It is apparent from the record that Napster has knowledge, both actual and constructive, of direct infringement. Napster claims that it is nevertheless protected from contributory liability by the teaching of *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). We disagree. We observe that Napster's actual, specific knowledge of direct infringement renders Sony's holding of limited assistance to Napster. We are compelled to make a clear distinction between the architecture of the Napster system and Napster's conduct in relation to the operational capacity of the system.

The Sony Court refused to hold the manufacturer and retailers of video tape recorders liable for contributory infringement despite evidence that such machines could be and were used to infringe plaintiffs' copyrighted television shows. Sony stated that if liability "is to be imposed on petitioners in this case, it must rest on the fact that they have sold equipment with constructive knowledge of the fact that their customers may use that equipment to make unauthorized copies of copyrighted material." The Sony Court declined to impute the requisite level of knowledge where the defendants made and sold equipment capable of both infringing and "substantial noninfringing uses."

We are bound to follow Sony, and will not impute the requisite level of knowledge to Napster merely because peer-to-peer file sharing technology may be used to infringe plaintiffs' copyrights. We depart from the reasoning of the district court that Napster failed to demonstrate that its system is capable of commercially significant noninfringing uses. The district court improperly confined the use analysis to current uses, ignoring the system's capabilities. See generally Sony, 464 U.S. at 442–43 (framing inquiry as whether the video tape recorder is "capable of commercially significant noninfringing uses"). Consequently, the district court placed undue weight on the proportion of current infringing use as compared to current and future noninfringing use. Nonetheless, regardless of the number of Napster's infringing versus noninfringing uses, the evidentiary record here supported the district court's finding that plaintiffs would likely prevail in establishing that Napster knew or had reason to know of its users' infringement of plaintiffs' copyrights.

If a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement. Conversely, absent any specific information which identifies infringing activity, a computer system operator cannot be liable for contributory infringement merely because the structure of the system allows for the exchange of copyrighted material. To enjoin simply because a computer network allows for infringing use would, in our opinion, violate Sony and potentially restrict activity unrelated to infringing use.

We nevertheless conclude that sufficient knowledge exists to impose contributory liability when linked to demonstrated infringing use of the Napster system. The record supports the district court's finding that Napster has actual knowledge that specific infringing material is available using its system, that it could block access to the system by suppliers of the infringing material, and that it failed to remove the material.

## **B. Material Contribution**

Under the facts as found by the district court, Napster materially contributes to the infringing activity. Relying on *Fonovisa*, the district court concluded that "[w]ithout the support services defendant provides, Napster users could not find and download the music they want with the ease of which defendant boasts." We agree that Napster provides "the site and facilities" for direct infringement. The district court correctly

applied the reasoning in *Fonovisa*, and properly found that Napster materially contributes to direct infringement.

## V

We turn to the question whether Napster engages in vicarious copyright infringement. Before moving into this discussion, we note that Sony’s “staple article of commerce” analysis has no application to Napster’s potential liability for vicarious copyright infringement. See *Sony*, 464 U.S. at 434–435; see generally 3 Melville B. Nimmer & David Nimmer, *Nimmer On Copyright* §§ 12.04[A][2] & [A][2][b] (2000) (confining Sony to contributory infringement analysis: “Contributory infringement itself is of two types—personal conduct that forms part of or furthers the infringement and contribution of machinery or goods that provide the means to infringe”). The issues of Sony’s liability under the doctrines of direct infringement and vicarious liability were not before the Supreme Court.

### A. Financial Benefit

Financial benefit exists where the availability of infringing material “acts as a ‘draw’ for customers.” *Fonovisa*. Ample evidence supports the district court’s finding that Napster’s future revenue is directly dependent upon increases in userbase. More users register with the Napster system as the quality and quantity of available music increases. We conclude that the district court did not err in determining that Napster financially benefits from the availability of protected works on its system.

### B. Supervision

The district court determined that Napster has the right and ability to supervise its users’ conduct. We agree in part.

The ability to block infringers’ access to a particular environment for any reason whatsoever is evidence of the right and ability to supervise. Here, plaintiffs have demonstrated that Napster retains the right to control access to its system. Napster has an express reservation of rights policy, stating on its website that it expressly reserves the “right to refuse service and terminate accounts in [its] discretion, including, but not limited to, if Napster believes that user conduct violates applicable law ... or for any reason in Napster’s sole discretion, with or without cause.”

To escape imposition of vicarious liability, the reserved right to police must be exercised to its fullest extent. Turning a blind eye to detectable acts of infringement for the sake of profit gives rise to liability.

The district court correctly determined that Napster had the right and ability to police its system and failed to exercise that right to prevent the exchange of copyrighted material. The district court, however, failed to recognize that the boundaries of the premises that Napster “controls and patrols” are limited. See, e.g., *Fonovisa*, 76 F.3d at 262–63 (in addition to having the right to exclude vendors, defendant “controlled and patrolled” the premises); see also *Polygram*, 855 F.Supp. at 1328–29 (in addition to having the contractual right to remove exhibitors, trade show operator reserved the right to police during the show and had its “employees walk the aisles to ensure ‘rules compliance’”). Put differently, Napster’s reserved “right and ability” to police is cabined by the system’s current architecture. As shown by the record, the Napster system does not “read” the content of indexed files, other than to check that they are in the proper MP3 format.

Napster, however, has the ability to locate infringing material listed on its search indices, and the right to terminate users' access to the system. The file name indices, therefore, are within the "premises" that Napster has the ability to police. We recognize that the files are user-named and may not match copyrighted material exactly (for example, the artist or song could be spelled wrong). For Napster to function effectively, however, file names must reasonably or roughly correspond to the material contained in the files, otherwise no user could ever locate any desired music. As a practical matter, Napster, its users and the record company plaintiffs have equal access to infringing material by employing Napster's "search function."

Our review of the record requires us to accept the district court's conclusion that plaintiffs have demonstrated a likelihood of success on the merits of the vicarious copyright infringement claim. Napster's failure to police the system's "premises," combined with a showing that Napster financially benefits from the continuing availability of infringing files on its system, leads to the imposition of vicarious liability.

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## Check Your Understanding – *Napster*

**Question 1.** Why did the court in *A&M Recs. v. Napster* reject Napster's assertion that it was protected from contributory liability by the holding of *Sony*?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=180#h5p-64>

**Question 2.** Why did the court in *A&M Recs. v. Napster* conclude that *Sony* was not relevant to the question of vicarious liability?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=180#h5p-65>

Some things to consider when reading *Aimster*:

1. *Aimster* was a filesharing service similar to *Napster*. *Aimster* employed an encryption technology that prevented the company from knowing the names of files that its users were sharing, and based on this use of encryption, *Aimster* argued that it had no way of monitoring the content of swapped files. In contrast, *Napster* could monitor the names of files being exchanged. On what basis did *Aimster* argue that this use of encryption shielded the company from liability, and why did the court reject this

argument?

2. Note that the author of the opinion, Judge Richard Posner, was also a law professor and is associated with the “law and economics” movement in legal theory. Near the end of the (edited) decision, Judge Posner applies a form of “cost-benefit analysis.”
3. Judge Posner often resorts to analogy, both in terms of the law (referencing analogous features of tort law and criminal law, for example) and the facts (often relying on analogies to non-digital scenarios when addressing issues of first impression involving digital technologies and the Internet).
4. How does the court distinguish the Aimster filesharing service from the videorecorder at issue in *Sony*?
5. The discussion of the role of willful blindness in copyright law.
6. The court’s distinction between an “innocuous” filesharing service and one that results in liability for contributory infringement.
7. The discussion of the public harm caused by illicit “file swapping.”
8. According to the *Aimster* court, under what circumstances does the provider of an Internet file-sharing service for which there are substantial noninfringing uses face liability for contributory infringement?

### *In re Aimster Copyright Litig.*

334 F.3d 643 (7th Cir. 2003)

POSNER, Circuit Judge.

Owners of copyrighted popular music filed a number of closely related suits, which were consolidated and transferred to the Northern District of Illinois by the Multidistrict Litigation Panel, against John Deep and corporations that are controlled by him and need not be discussed separately. The numerous plaintiffs, who among them appear to own most subsisting copyrights on American popular music, claim that Deep’s “Aimster” Internet service (recently renamed “Madster”) is a contributory and vicarious infringer of these copyrights. The district judge entered a broad preliminary injunction, which had the effect of shutting down the Aimster service until the merits of the suit are finally resolved, from which Deep appeals. Aimster is one of a number of enterprises (the former Napster is the best known) that have been sued for facilitating the swapping of digital copies of popular music, most of it copyrighted, over the Internet.

Teenagers and young adults who have access to the Internet like to swap computer files containing popular music. If the music is copyrighted, such swapping, which involves making and transmitting a digital copy of the music, infringes copyright. The swappers, who are ignorant or more commonly disdainful of copyright and in any event discount the likelihood of being sued or prosecuted for copyright infringement, are the direct infringers. But firms that facilitate their infringement, even if they are not themselves infringers because they are not making copies of the music that is shared, may be liable to the copyright owners as contributory infringers. Recognizing the impracticability or futility of a copyright owner’s suing a multitude of individual infringers, the law allows a copyright holder to sue a contributor to the infringement instead, in effect as an aider and abettor. Another analogy is to the tort of intentional interference with contract, that is, inducing a breach of contract. If a breach of contract (and a copyright license is just a type of contract) can

be prevented most effectively by actions taken by a third party, it makes sense to have a legal mechanism for placing liability for the consequences of the breach on him as well as on the party that broke the contract.

The district judge ruled that the recording industry had demonstrated a likelihood of prevailing on the merits should the case proceed to trial. He so ruled with respect to vicarious as well as contributory infringement; we begin with the latter, the more familiar charge.

The Aimster system has the following essential components: proprietary software that can be downloaded free of charge from Aimster's Web site; Aimster's server (a server is a computer that provides services to other computers, in this case personal computers owned or accessed by Aimster's users, over a network), which hosts the Web site and collects and organizes information obtained from the users but does not make copies of the swapped files themselves and that also provides the matching service described below; computerized tutorials instructing users of the software on how to use it for swapping computer files; and "Club Aimster," a related Internet service owned by Deep that users of Aimster's software can join for a fee and use to download the "top 40" popular-music files more easily than by using the basic, free service. The "AIM" in "Aimster" stands for AOL instant-messaging service. Aimster is available only to users of such services (of which AOL's is the most popular) because Aimster users can swap files only when both are online and connected in a chat room enabled by an instant-messaging service.

Someone who wants to use Aimster's basic service for the first time to swap files downloads the software from Aimster's Web site and then registers on the system by entering a user name (it doesn't have to be his real name) and a password at the Web site. Having done so, he can designate any other registrant as a "buddy" and can communicate directly with all his buddies when he and they are online, attaching to his communications (which are really just e-mails) any files that he wants to share with the buddies. All communications back and forth are encrypted by the sender by means of encryption software furnished by Aimster as part of the software package downloadable at no charge from the Web site, and are decrypted by the recipient using the same Aimster-furnished software package. If the user does not designate a buddy or buddies, then *all* the users of the Aimster system become his buddies; that is, he can send or receive from any of them.

Users list on their computers the computer files they are willing to share. (They needn't list them separately, but can merely designate a folder in their computer that contains the files they are willing to share.) A user who wants to make a copy of a file goes online and types the name of the file he wants in his "Search For" field. Aimster's server searches the computers of those users of its software who are online and so are available to be searched for files they are willing to share, and if it finds the file that has been requested it instructs the computer in which it is housed to transmit the file to the recipient via the Internet for him to download into his computer. Once he has done this he can if he wants make the file available for sharing with other users of the Aimster system by listing it as explained above. In principle, therefore, the purchase of a single CD could be levered into the distribution within days or even hours of millions of identical, near-perfect (depending on the compression format used) copies of the music recorded on the CD—hence the recording industry's anxiety about file-sharing services oriented toward consumers of popular music. But because copies of the songs reside on the computers of the users and not on Aimster's own server, Aimster is not a direct infringer of the copyrights on those songs. Its function is similar to that of a stock exchange, which is a facility for matching offers rather than a repository of the things being exchanged (shares of

stock). But unlike transactions on a stock exchange, the consummated “transaction” in music files does not take place in the facility, that is, in Aimster’s server.

What we have described so far is a type of Internet file-sharing system that might be created for innocuous purposes such as the expeditious exchange of confidential business data among employees of a business firm. The fact that copyrighted materials might sometimes be shared between users of such a system without the authorization of the copyright owner or a fair-use privilege would not make the firm a contributory infringer. Otherwise AOL’s instant-messaging system, which Aimster piggybacks on, might be deemed a contributory infringer. For there is no doubt that some of the attachments that AOL’s multitudinous subscribers transfer are copyrighted, and such distribution is an infringement unless authorized by the owner of the copyright. The Supreme Court made clear in the Sony decision that the producer of a product that has substantial noninfringing uses is not a contributory infringer merely because some of the uses actually made of the product (in that case a machine, the predecessor of today’s videocassette recorders, for recording television programs on tape) are infringing.

The video recorder was being used for a mixture of infringing and noninfringing uses and the Court thought that Sony could not demix them because once Sony sold the recorder it lost all control over its use. The court ruled that “the sale of copying equipment, like the sale of other articles of commerce, does not constitute contributory infringement if the product is widely used for legitimate, unobjectionable purposes. Indeed, it need merely be capable of substantial noninfringing uses.”

In our case the recording industry, emphasizing the reference to “articles of commerce” in the passage just quoted and elsewhere in the Court’s opinion, and also remarking Sony’s helplessness to prevent infringing uses of its recorders once it sold them, argues that Sony is inapplicable to services. With regard to services, the industry argues, the test is merely whether the provider knows it’s being used to infringe copyright. The industry points out that the provider of a service, unlike the seller of a product, has a continuing relation with its customers and therefore should be able to prevent, or at least limit, their infringing copyright by monitoring their use of the service and terminating them when it is discovered that they are infringing. We agree with the recording industry that the ability of a service provider to prevent its customers from infringing is a factor to be considered in determining whether the provider is a contributory infringer.

It is not necessarily a controlling factor, however, as the recording industry believes. If a service facilitates both infringing and noninfringing uses, as in the case of AOL’s instant-messaging service, and the detection and prevention of the infringing uses would be highly burdensome, the rule for which the recording industry is contending could result in the shutting down of the service or its annexation by the copyright owners (contrary to the clear import of the Sony decision), because the provider might find it impossible to estimate its potential damages liability to the copyright holders and would anyway face the risk of being enjoined. The fact that the recording industry’s argument if accepted might endanger AOL’s instant-messaging service is not only alarming; it is paradoxical, since subsidiaries of AOL’s parent company (AOL Time Warner), such as Warner Brothers Records and Atlantic Recording Corporation, are among the plaintiffs in this case and music chat rooms are among the facilities offered by AOL’s instant-messaging service.

We also reject the industry’s argument that Sony provides no defense to a charge of contributory infringement when, in the words of the industry’s brief, there is anything “more than a mere showing that a product may be used for infringing purposes.” Although the fact was downplayed in the majority opinion,

it was apparent that the Betamax was being used for infringing as well as noninfringing purposes—even the majority acknowledged that 25 percent of Betamax users were fast forwarding through commercials—yet Sony was held not to be a contributory infringer. The Court was unwilling to allow copyright holders to prevent infringement effectuated by means of a new technology at the price of possibly denying noninfringing consumers the benefit of the technology. We therefore agree with Professor Goldstein that the Ninth Circuit erred in *A & M Records, Inc. v. Napster, Inc.* in suggesting that actual knowledge of specific infringing uses is a sufficient condition for deeming a facilitator a contributory infringer. 2 Paul Goldstein, *Copyright* § 6.1.2, p. 6:12–1 (2d ed.2003)

The recording industry's hostility to the Sony decision is both understandable, given the amount of Internet-enabled infringement of music copyrights, and manifest—the industry in its brief offers five reasons for confining its holding to its specific facts. But it is being articulated in the wrong forum.

Equally, however, we reject Aimster's argument that to prevail the recording industry must prove it has actually lost money as a result of the copying that its service facilitates. It is true that the Court in Sony emphasized that the plaintiffs had failed to show that they had sustained substantial harm from the Betamax. But the Court did so in the context of assessing the argument that time shifting of television programs was fair use rather than infringement. One reason time shifting was fair use, the Court believed, was that it wasn't hurting the copyright owners because it was enlarging the audience for their programs. But a copyright owner who can prove infringement need not show that the infringement caused him a financial loss. Granted, without such a showing he cannot obtain compensatory damages; but he can obtain statutory damages, or an injunction, just as the owner of physical property can obtain an injunction against a trespasser without proving that the trespass has caused him a financial loss.

What is true is that when a supplier is offering a product or service that has noninfringing as well as infringing uses, some estimate of the respective magnitudes of these uses is necessary for a finding of contributory infringement. The Court's action in striking the cost-benefit tradeoff in favor of Sony came to seem prescient when it later turned out that the principal use of video recorders was to allow people to watch at home movies that they bought or rented rather than to tape television programs. (In 1984, when Sony was decided, the industry was unsure how great the demand would be for prerecorded tapes compared to time shifting. The original Betamax played one-hour tapes, long enough for most television broadcasts but too short for a feature film. Sony's competitors used the VHS format, which came to market later but with a longer playing time; this contributed to VHS's eventual displacement of Betamax.) An enormous new market thus opened for the movie industry—which by the way gives point to the Court's emphasis on potential as well as actual noninfringing uses. But the balancing of costs and benefits is necessary only in a case in which substantial noninfringing uses, present or prospective, are demonstrated.

We also reject Aimster's argument that because the Court said in Sony that mere "constructive knowledge" of infringing uses is not enough for contributory infringement, and the encryption feature of Aimster's service prevented Deep from knowing what songs were being copied by the users of his system, he lacked the knowledge of infringing uses that liability for contributory infringement requires. Willful blindness is knowledge, in copyright law (where indeed it may be enough that the defendant should have known of the direct infringement, *Casella v. Morris*, 820 F.2d 362, 365 (11th Cir.1987); 2 Goldstein, *supra*, § 6.1, p. 6:6), as it is in the law generally. One who, knowing or strongly suspecting that he is involved in shady dealings,

takes steps to make sure that he does not acquire full or exact knowledge of the nature and extent of those dealings is held to have a criminal intent, because a deliberate effort to avoid guilty knowledge is all that the law requires to establish a guilty state of mind. In *United States v. Diaz*, 864 F.2d 544, 550 (7th Cir.1988), the defendant, a drug trafficker, sought “to insulate himself from the actual drug transaction so that he could deny knowledge of it,” which he did sometimes by absenting himself from the scene of the actual delivery and sometimes by pretending to be fussing under the hood of his car. He did not escape liability by this maneuver; no more can Deep by using encryption software to prevent himself from learning what surely he strongly suspects to be the case: that the users of his service—maybe *all* the users of his service—are copyright infringers.

This is not to say that the provider of an encrypted instant-messaging service or encryption software is ipso facto a contributory infringer should his buyers use the service to infringe copyright, merely because encryption, like secrecy generally, facilitates unlawful transactions. Encryption fosters privacy, and privacy is a social benefit though also a source of social costs. Our point is only that a service provider that would otherwise be a contributory infringer does not obtain immunity by using encryption to shield itself from actual knowledge of the unlawful purposes for which the service is being used.

We also do not buy Aimster’s argument that since the Supreme Court distinguished, in the long passage from the *Sony* opinion that we quoted earlier, between actual and potential noninfringing uses, all Aimster has to show in order to escape liability for contributory infringement is that its file-sharing system *could* be used in noninfringing ways, which obviously it could be. Were that the law, the seller of a product or service used *solely* to facilitate copyright infringement, though it was capable in principle of noninfringing uses, would be immune from liability for contributory infringement. That would be an extreme result, and one not envisaged by the *Sony* majority. Otherwise its opinion would have had no occasion to emphasize the fact that *Sony* had not in its advertising encouraged the use of the Betamax to infringe copyright. Nor would the Court have thought it important to say that the Betamax was used “principally” for time shifting, which as we recall the Court deemed a fair use, or to remark that the plaintiffs owned only a small percentage of the total amount of copyrighted television programming and it was unclear how many of the other owners objected to home taping.

There are analogies in the law of aiding and abetting, the criminal counterpart to contributory infringement. A retailer of slinky dresses is not guilty of aiding and abetting prostitution even if he knows that some of his customers are prostitutes—he may even know which ones are. The extent to which his activities and those of similar sellers actually promote prostitution is likely to be slight relative to the social costs of imposing a risk of prosecution on him. But the owner of a massage parlor who employs women who are capable of giving massages, but in fact as he knows sell only sex and never massages to their customers, is an aider and abettor of prostitution. The slinky-dress case corresponds to *Sony*, and, like *Sony*, is not inconsistent with imposing liability on the seller of a product or service that, as in the massage-parlor case, is capable of noninfringing uses but in fact is used only to infringe. To the recording industry, a single known infringing use brands the facilitator as a contributory infringer. To the Aimsters of this world, a single noninfringing use provides complete immunity from liability. Neither is correct.

To situate Aimster’s service between these unacceptable poles, we need to say just a bit more about it. In explaining how to use the Aimster software, the tutorial gives as its *only* examples of file sharing the sharing



of copyrighted music, including copyrighted music that the recording industry had notified Aimster was being infringed by Aimster's users. The tutorial is the invitation to infringement that the Supreme Court found was missing in *Sony*. In addition, membership in Club Aimster enables the member for a fee of \$4.95 a month to download with a single click the music most often shared by Aimster users, which turns out to be music copyrighted by the plaintiffs. Because Aimster's software is made available free of charge and Aimster does not sell paid advertising on its Web site, Club Aimster's monthly fee is the only means by which Aimster is financed and so the club cannot be separated from the provision of the free software. When a member of the club clicks on "play" next to the name of a song on the club's Web site, Aimster's server searches through the computers of the Aimster users who are online until it finds one who has listed the song as available for sharing, and it then effects the transmission of the file to the computer of the club member who selected it. Club Aimster lists only the 40 songs that are currently most popular among its members; invariably these are under copyright.

The evidence that we have summarized does not exclude the *possibility* of substantial noninfringing uses of the Aimster system, but the evidence is sufficient, especially in a preliminary-injunction proceeding, which is summary in character, to shift the burden of production to Aimster to demonstrate that its service has substantial noninfringing uses.

Aimster has failed to produce any evidence that its service has ever been used for a noninfringing use, let alone evidence concerning the frequency of such uses. Absent is any indication from real-life Aimster users that their primary use of the system is to transfer non-copyrighted files to their friends or identify users of similar interests and share information.

Even when there are noninfringing uses of an Internet file-sharing service, moreover, if the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses. Aimster failed to make that showing too, by failing to present evidence that the provision of an encryption capability *effective against the service provider itself* added important value to the service or saved significant cost. Aimster blinded itself in the hope that by doing so it might come within the rule of the *Sony* decision.

[Editor's note: The court found that it did not need to decide the question of vicarious infringement given its affirmation of the district court's determination that the recording industry would be likely to prevail on the issue of contributory infringement.]

AFFIRMED.

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## Check your Understanding – *Aimster*

**Question 1.** Why did the court in *In re Aimster* reject Aimster's argument that its use of encryption shielded the company from liability?



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**Question 2.** How does the court distinguish the Aimster filesharing service from the videorecorder at issue in Sony?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=180#h5p-67>

**Question 3.** True or False: According to Aimster, the provider of an Internet file-sharing service for which there are both infringing and substantial noninfringing uses must show that it would have been disproportionately costly for the provider to eliminate (or at least reduce substantially) infringing use of the service in order to avoid liability as a contributory infringer.



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=180#h5p-68>

Some things to consider when reading *Grokster*:

1. The parties accused of contributory infringement are Grokster and Streamcast, two companies that, like Aimster, attempted to provide a Napster-like service while avoiding liability for their user's copyright infringement by designing the services in a manner that prevented the companies from having specific knowledge of file swapping involving copyrighted works.
2. When the Supreme Court granted certiorari in this case, it was thought that the Court would address the ongoing question of how much noninfringing use must a product be capable of to qualify for the Sony safe harbor, which requires that the product be "capable of substantial noninfringing uses." In *Grokster*, the Court manages to avoid answering this question in the primary opinion, but some of the Justices express their divergent views on the contentious issue in two concurring opinions that are at odds with one another. This is the Supreme Court's last word on the subject, so this important question has yet to be definitively answered.
3. Why did the lower courts find in favor of the accused companies?
4. What specific facts led the Court to conclude that the accused companies are liable for their users' infringement?
5. What is the holding of the case?

## *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*

545 U.S. 913 (2005)

Justice SOUTER delivered the opinion of the Court.

The question is under what circumstances the distributor of a product capable of both lawful and unlawful use is liable for acts of copyright 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.

### I

#### A

Respondents, Grokster, Ltd., and StreamCast Networks, Inc., defendants in the trial court, distribute free software products that allow computer users to share electronic files through peer-to-peer networks, so called because users' computers communicate directly with each other, not through central servers. The advantage of peer-to-peer networks over information networks of other types shows up in their substantial and growing popularity. Because they need no central computer server to mediate the exchange of information or files among users, the high-bandwidth communications capacity for a server may be dispensed with, and the need for costly server storage space is eliminated. Since copies of a file (particularly a popular one) are available on many users' computers, file requests and retrievals may be faster than on other types of networks, and since file exchanges do not travel through a server, communications can take place between any computers that remain connected to the network without risk that a glitch in the server will disable the network in its entirety. Given these benefits in security, cost, and efficiency, peer-to-peer networks are employed to store and distribute electronic files by universities, government agencies, corporations, and libraries, among others.

Other users of peer-to-peer networks include individual recipients of Grokster's and StreamCast's software, and although the networks that they enjoy through using the software can be used to share any type of digital file, they have prominently employed those networks in sharing copyrighted music and video files without authorization. A group of copyright holders (MGM for short, but including motion picture studios, recording companies, songwriters, and music publishers) sued Grokster and StreamCast for their users' copyright infringements, alleging that they knowingly and intentionally distributed their software to enable users to reproduce and distribute the copyrighted works in violation of the Copyright Act. MGM sought damages and an injunction.

Grokster and StreamCast use no servers to intercept the content of the search requests or to mediate the file transfers conducted by users of the software, there being no central point through which the substance of the communications passes in either direction.

Although Grokster and StreamCast do not therefore know when particular files are copied, a few searches using their software would show what is available on the networks the software reaches. MGM commissioned a statistician to conduct a systematic search, and his study showed that nearly 90% of the

files available for download on the FastTrack system were copyrighted works. Grokster and StreamCast dispute this figure, raising methodological problems and arguing that free copying even of copyrighted works may be authorized by the rightholders. They also argue that potential noninfringing uses of their software are significant in kind, even if infrequent in practice. Some musical performers, for example, have gained new audiences by distributing their copyrighted works for free across peer-to-peer networks, and some distributors of unprotected content have used peer-to-peer networks to disseminate files, Shakespeare being an example. Indeed, StreamCast has given Morpheus users the opportunity to download the briefs in this very case, though their popularity has not been quantified.

As for quantification, the parties' anecdotal and statistical evidence entered thus far to show the content available on the FastTrack and Gnutella networks does not say much about which files are actually downloaded by users, and no one can say how often the software is used to obtain copies of unprotected material. But MGM's evidence gives reason to think that the vast majority of users' downloads are acts of infringement, and because well over 100 million copies of the software in question are known to have been downloaded, and billions of files are shared across the FastTrack and Gnutella networks each month, the probable scope of copyright infringement is staggering.

After the notorious file-sharing service, Napster, was sued by copyright holders for facilitation of copyright infringement, *A&M Records, Inc. v. Napster, Inc.*, StreamCast gave away a software program of a kind known as OpenNap, designed as compatible with the Napster program and open to Napster users for downloading files from other Napster and OpenNap users' computers. Evidence indicates that it was always StreamCast's intent to use its OpenNap network to be able to capture email addresses of its initial target market so that it could promote its StreamCast Morpheus interface to them; indeed, the OpenNap program was engineered to leverage Napster's 50 million user base.

Internal company documents indicate that StreamCast hoped to attract large numbers of former Napster users if that company was shut down by court order or otherwise, and that StreamCast planned to be the next Napster. A kit developed by StreamCast to be delivered to advertisers, for example, contained press articles about StreamCast's potential to capture former Napster users, and it introduced itself to some potential advertisers as a company "which is similar to what Napster was." An internal e-mail from a company executive stated: "We have put this network in place so that when Napster pulls the plug on their free service ... or if the Court orders them shut down prior to that ... we will be positioned to capture the flood of their 32 million users that will be actively looking for an alternative."

In addition to this evidence of express promotion, marketing, and intent to promote further, the business models employed by Grokster and StreamCast confirm that their principal object was use of their software to download copyrighted works. Grokster and StreamCast receive no revenue from users, who obtain the software itself for nothing. Instead, both companies generate income by selling advertising space, and they stream the advertising to Grokster and Morpheus users while they are employing the programs. As the number of users of each program increases, advertising opportunities become worth more. While there is doubtless some demand for free Shakespeare, the evidence shows that substantive volume is a function of free access to copyrighted work. Users seeking Top 40 songs, for example, or the latest release by Modest Mouse, are certain to be far more numerous than those seeking a free Decameron, and Grokster and StreamCast translated that demand into dollars.

Finally, there is no evidence that either company made an effort to filter copyrighted material from users' downloads or otherwise impede the sharing of copyrighted files. Although Grokster appears to have sent e-mails warning users about infringing content when it received threatening notice from the copyright holders, it never blocked anyone from continuing to use its software to share copyrighted files. StreamCast not only rejected another company's offer of help to monitor infringement, but blocked the Internet Protocol addresses of entities it believed were trying to engage in such monitoring on its networks.

## B

The District Court held that those who used the Grokster and Morpheus software to download copyrighted media files directly infringed MGM's copyrights, a conclusion not contested on appeal, but the court nonetheless granted summary judgment in favor of Grokster and StreamCast as to any liability arising from distribution of the then-current versions of their software. Distributing that software gave rise to no liability in the court's view, because its use did not provide the distributors with actual knowledge of specific acts of infringement.

The Court of Appeals affirmed. The court read *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), as holding that distribution of a commercial product capable of substantial noninfringing uses could not give rise to contributory liability for infringement unless the distributor had actual knowledge of specific instances of infringement and failed to act on that knowledge. The fact that the software was capable of substantial noninfringing uses in the Ninth Circuit's view meant that Grokster and StreamCast were not liable, because they had no such actual knowledge, owing to the decentralized architecture of their software. The court also held that Grokster and StreamCast did not materially contribute to their users' infringement because it was the users themselves who searched for, retrieved, and stored the infringing files, with no involvement by the defendants beyond providing the software in the first place.

We granted certiorari.

## II

### A

MGM and many of the *amici* fault the Court of Appeals's holding for upsetting a sound balance between the respective values of supporting creative pursuits through copyright protection and promoting innovation in new communication technologies by limiting the incidence of liability for copyright infringement. The more artistic protection is favored, the more technological innovation may be discouraged; the administration of copyright law is an exercise in managing the tradeoff.

The tension between the two values is the subject of this case, with its claim that digital distribution of copyrighted material threatens copyright holders as never before, because every copy is identical to the original, copying is easy, and many people (especially the young) use file-sharing software to download copyrighted works. This very breadth of the software's use may well draw the public directly into the debate over copyright policy, and the indications are that the ease of copying songs or movies using software like Grokster's and Napster's is fostering disdain for copyright protection. As the case has been presented to us, these fears are said to be offset by the different concern that imposing liability, not only on infringers but on

distributors of software based on its potential for unlawful use, could limit further development of beneficial technologies.

The argument for imposing indirect liability in this case is, however, a powerful one, given the number of infringing downloads that occur every day using StreamCast's and Grokster's software. When a widely shared service or product is used to commit infringement, it may be impossible to enforce rights in the protected work effectively against all direct infringers, the only practical alternative being to go against the distributor of the copying device for secondary liability on a theory of contributory or vicarious infringement.

One infringes contributorily by intentionally inducing or encouraging direct infringement, see *Gershwin Pub. Corp. v. Columbia Artists Management, Inc.*, 443 F.2d 1159, 1162 (C.A.2 1971), and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it, *Shapiro, Bernstein & Co. v. H.L. Green Co.*, 316 F.2d 304, 307 (C.A.2 1963). Although the Copyright Act does not expressly render anyone liable for infringement committed by another, these doctrines of secondary liability emerged from common law principles and are well established in the law.

## B

Despite the currency of these principles of secondary liability, this Court has dealt with secondary copyright infringement in only one recent case, and because MGM has tailored its principal claim to our opinion there, a look at our earlier holding is in order. In *Sony*, this Court addressed a claim that secondary liability for infringement can arise from the very distribution of a commercial product. There, the product, novel at the time, was what we know today as the videocassette recorder or VCR. Copyright holders sued Sony as the manufacturer, claiming it was contributorily liable for infringement that occurred when VCR owners taped copyrighted programs because it supplied the means used to infringe, and it had constructive knowledge that infringement would occur. At the trial on the merits, the evidence showed that the principal use of the VCR was for “‘time-shifting,’ ” or taping a program for later viewing at a more convenient time, which the Court found to be a fair, not an infringing, use. There was no evidence that Sony had expressed an object of bringing about taping in violation of copyright or had taken active steps to increase its profits from unlawful taping. Although Sony's advertisements urged consumers to buy the VCR to “record favorite shows” or “build a library” of recorded programs, neither of these uses was necessarily infringing.

On those facts, with no evidence of stated or indicated intent to promote infringing uses, the only conceivable basis for imposing liability was on a theory of contributory infringement arising from its sale of VCRs to consumers with knowledge that some would use them to infringe. But because the VCR was “capable of commercially significant noninfringing uses,” we held the manufacturer could not be faulted solely on the basis of its distribution.

The parties and many of the amici in this case think the key to resolving it is the *Sony* rule and, in particular, what it means for a product to be “capable of commercially significant noninfringing uses.” MGM advances the argument that granting summary judgment to Grokster and StreamCast as to their current activities gave too much weight to the value of innovative technology, and too little to the copyrights infringed by users of their software, given that 90% of works available on one of the networks was shown to be copyrighted. Assuming the remaining 10% to be its noninfringing use, MGM says this should not qualify as

“substantial,” and the Court should quantify Sony to the extent of holding that a product used “principally” for infringement does not qualify. As mentioned before, Grokster and StreamCast reply by citing evidence that their software can be used to reproduce public domain works, and they point to copyright holders who actually encourage copying. Even if infringement is the principal practice with their software today, they argue, the noninfringing uses are significant and will grow.

We agree with MGM that the Court of Appeals misapplied Sony, which it read as limiting secondary liability quite beyond the circumstances to which the case applied. Sony barred secondary liability based on presuming or imputing intent to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement. The Ninth Circuit has read Sony’s limitation to mean that whenever a product is capable of substantial lawful use, the producer can never be held contributorily liable for third parties’ infringing use of it; it read the rule as being this broad, even when an actual purpose to cause infringing use is shown by evidence independent of design and distribution of the product, unless the distributors had “specific knowledge of infringement at a time at which they contributed to the infringement, and failed to act upon that information.” Because the Circuit found the StreamCast and Grokster software capable of substantial lawful use, it concluded on the basis of its reading of Sony that neither company could be held liable, since there was no showing that their software, being without any central server, afforded them knowledge of specific unlawful uses.

This view of Sony, however, was error, converting the case from one about liability resting on imputed intent to one about liability on any theory. Because Sony did not displace other theories of secondary liability, and because we find below that it was error to grant summary judgment to the companies on MGM’s inducement claim, we do not revisit Sony further, as MGM requests, to add a more quantified description of the point of balance between protection and commerce when liability rests solely on distribution with knowledge that unlawful use will occur. It is enough to note that the Ninth Circuit’s judgment rested on an erroneous understanding of Sony and to leave further consideration of the Sony rule for a day when that may be required.

## C

Sony’s rule limits imputing culpable intent as a matter of law from the characteristics or uses of a distributed product. But nothing in Sony requires courts to ignore evidence of intent if there is such evidence, and the case was never meant to foreclose rules of fault-based liability derived from the common law. Thus, where evidence goes beyond a product’s characteristics or the knowledge that it may be put to infringing uses, and shows statements or actions directed to promoting infringement, Sony’s staple-article rule will not preclude liability.

The classic case of direct evidence of unlawful purpose occurs when one induces commission of infringement by another, or “entic[es] or persuad[es] another” to infringe, Black’s Law Dictionary 790 (8th ed.2004), as by advertising.

The rule on inducement of infringement as developed in the early cases is no different today. Evidence of active steps taken to encourage direct infringement, such as advertising an infringing use or instructing how to engage in an infringing use, show an affirmative intent that the product be used to infringe, and a showing

that infringement was encouraged overcomes the law's reluctance to find liability when a defendant merely sells a commercial product suitable for some lawful use.

For the same reasons that Sony took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here, holding 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. We are, of course, mindful of the need to keep from trenching on regular commerce or discouraging the development of technologies with lawful and unlawful potential. Accordingly, just as Sony did not find intentional inducement despite the knowledge of the VCR manufacturer that its device could be used to infringe, mere knowledge of infringing potential or of actual infringing uses would not be enough here to subject a distributor to liability. Nor would ordinary acts incident to product distribution, such as offering customers technical support or product updates, support liability in themselves. The inducement rule, instead, premises liability on purposeful, culpable expression and conduct, and thus does nothing to compromise legitimate commerce or discourage innovation having a lawful promise.

### III

#### A

The only apparent question about treating MGM's evidence as sufficient to withstand summary judgment under the theory of inducement goes to the need on MGM's part to adduce evidence that StreamCast and Grokster communicated an inducing message to their software users. The classic instance of inducement is by advertisement or solicitation that broadcasts a message designed to stimulate others to commit violations. MGM claims that such a message is shown here. It is undisputed that StreamCast beamed onto the computer screens of users of Napster-compatible programs ads urging the adoption of its OpenNap program, which was designed, as its name implied, to invite the custom of patrons of Napster, then under attack in the courts for facilitating massive infringement. Those who accepted StreamCast's OpenNap program were offered software to perform the same services, which a factfinder could conclude would readily have been understood in the Napster market as the ability to download copyrighted music files. Grokster distributed an electronic newsletter containing links to articles promoting its software's ability to access popular copyrighted music. And anyone whose Napster or free file-sharing searches turned up a link to Grokster would have understood Grokster to be offering the same file-sharing ability as Napster, and to the same people who probably used Napster for infringing downloads; that would also have been the understanding of anyone offered Grokster's suggestively named Swaptor software, its version of OpenNap. And both companies communicated a clear message by responding affirmatively to requests for help in locating and playing copyrighted materials.

In StreamCast's case, of course, the evidence just described was supplemented by other unequivocal indications of unlawful purpose in the internal communications and advertising designs aimed at Napster users ("When the lights went off at Napster ... where did the users go?" Whether the messages were communicated is not to the point on this record. The function of the message in the theory of inducement is to prove by a defendant's own statements that his unlawful purpose disqualifies him from claiming protection (and incidentally to point to actual violators likely to be found among those who hear or read



the message). Proving that a message was sent out, then, is the preeminent but not exclusive way of showing that active steps were taken with the purpose of bringing about infringing acts, and of showing that infringing acts took place by using the device distributed. Here, the summary judgment record is replete with other evidence that Grokster and StreamCast, unlike the manufacturer and distributor in Sony, acted with a purpose to cause copyright violations by use of software suitable for illegal use.

Three features of this evidence of intent are particularly notable. First, each company showed itself to be aiming to satisfy a known source of demand for copyright infringement, the market comprising former Napster users. StreamCast's internal documents made constant reference to Napster, it initially distributed its Morpheus software through an OpenNap program compatible with Napster, it advertised its OpenNap program to Napster users, and its Morpheus software functions as Napster did except that it could be used to distribute more kinds of files, including copyrighted movies and software programs. Grokster's name is apparently derived from Napster, it too initially offered an OpenNap program, its software's function is likewise comparable to Napster's, and it attempted to divert queries for Napster onto its own Web site. Grokster and StreamCast's efforts to supply services to former Napster users, deprived of a mechanism to copy and distribute what were overwhelmingly infringing files, indicate a principal, if not exclusive, intent on the part of each to bring about infringement.

Second, this evidence of unlawful objective is given added significance by MGM's showing that neither company attempted to develop filtering tools or other mechanisms to diminish the infringing activity using their software. While the Ninth Circuit treated the defendants' failure to develop such tools as irrelevant because they lacked an independent duty to monitor their users' activity, we think this evidence underscores Grokster's and StreamCast's intentional facilitation of their users' infringement.

Third, there is a further complement to the direct evidence of unlawful objective. It is useful to recall that StreamCast and Grokster make money by selling advertising space, by directing ads to the screens of computers employing their software. As the record shows, the more the software is used, the more ads are sent out and the greater the advertising revenue becomes. Since the extent of the software's use determines the gain to the distributors, the commercial sense of their enterprise turns on high-volume use, which the record shows is infringing. This evidence alone would not justify an inference of unlawful intent, but viewed in the context of the entire record its import is clear.

The unlawful objective is unmistakable.

## **B**

In addition to intent to bring about infringement and distribution of a device suitable for infringing use, the inducement theory of course requires evidence of actual infringement by recipients of the device, the software in this case. As the account of the facts indicates, there is evidence of infringement on a gigantic scale, and there is no serious issue of the adequacy of MGM's showing on this point in order to survive the companies' summary judgment requests.

The judgment of the Court of Appeals is vacated, and the case is remanded for further proceedings consistent with this opinion.

**Justice GINSBURG, with whom THE CHIEF JUSTICE and Justice KENNEDY join, concurring**

I concur in the Court's decision, which vacates in full the judgment of the Court of Appeals for the Ninth Circuit, and write separately to clarify why I conclude that the Court of Appeals misperceived, and hence misapplied, our holding in *Sony*.

The Ninth Circuit went astray when that court granted summary judgment to Grokster and StreamCast on the charge of contributory liability based on distribution of their software products. Relying on its earlier opinion in *A & M Records, Inc. v. Napster, Inc.*, the Court of Appeals held that “if substantial noninfringing use was shown, the copyright owner would be required to show that the defendant had reasonable knowledge of specific infringing files.” “A careful examination of the record,” the court concluded, “indicates that there is no genuine issue of material fact as to noninfringing use.” The appeals court pointed to the band Wilco, which made one of its albums available for free downloading, to other recording artists who may have authorized free distribution of their music through the Internet, and to public domain literary works and films available through Grokster's and StreamCast's software. Although it acknowledged petitioners' assertion that “the vast majority of the software use is for copyright infringement,” the court concluded that Grokster's and StreamCast's proffered evidence met Sony's requirement that “a product need only be *capable* of substantial noninfringing uses.”

This case differs markedly from *Sony*.

Even if the absolute number of noninfringing files copied using the Grokster and StreamCast software is large, it does not follow that the products are therefore put to substantial noninfringing uses and are thus immune from liability. The number of noninfringing copies may be reflective of, and dwarfed by, the huge total volume of files shared. Further, the District Court and the Court of Appeals did not sharply distinguish between uses of Grokster's and StreamCast's software products (which this case is about) and uses of peer-to-peer technology generally (which this case is not about).

In sum, when the record in this case was developed, there was evidence that Grokster's and StreamCast's products were, and had been for some time, overwhelmingly used to infringe, and that this infringement was the overwhelming source of revenue from the products. Fairly appraised, the evidence was insufficient to demonstrate, beyond genuine debate, a reasonable prospect that substantial or commercially significant noninfringing uses were likely to develop over time. On this record, the District Court should not have ruled dispositively on the contributory infringement charge by granting summary judgment to Grokster and StreamCast.

**Justice BREYER, with whom Justice STEVENS and Justice O'CONNOR join, concurring.**

I agree with the Court that the distributor of a dual-use technology may be liable for the infringing activities of third parties where he or she actively seeks to advance the infringement. I further agree that, in light of our holding today, we need not now “revisit” *Sony*. Other Members of the Court, however, take up the *Sony* question: whether Grokster's product is “capable of ‘substantial’ or ‘commercially significant’ noninfringing uses.” And they answer that question by stating that the Court of Appeals was wrong when it granted summary judgment on the issue in Grokster's favor. I write to explain why I disagree with them on this matter.

I begin with Sony's standard. In *Sony*, the Court considered the potential copyright liability of a company that did not itself illegally copy protected material, but rather sold a machine—a videocassette recorder

(VCR)—that could be used to do so. The Court ultimately characterized the legal “question” in the particular case as “whether [Sony’s VCR] is *capable of commercially significant noninfringing uses* ” (while declining to give “precise content” to these terms).

When measured against Sony’s underlying evidence and analysis, the evidence now before us shows that Grokster passes Sony’s test—that is, whether the company’s product is capable of substantial or commercially significant noninfringing uses. For one thing, petitioners’ own expert declared that 75% of current files available on Grokster are infringing and 15% are “likely infringing.” That leaves some number of files near 10% that apparently are noninfringing, a figure very similar to the 9% or so of authorized time-shifting uses of the VCR that the Court faced in Sony. It is reasonable to infer quantities of current lawful use roughly approximate to those at issue in Sony.

Importantly, Sony also used the word “capable,” asking whether the product is “*capable of*” substantial noninfringing uses. Its language and analysis suggest that a figure like 10%, if fixed for all time, might well prove insufficient, but that such a figure serves as an adequate foundation where there is a reasonable prospect of expanded legitimate uses over time. And its language also indicates the appropriateness of looking to potential future uses of the product to determine its “capability.”

Here the record reveals a significant future market for noninfringing uses of Grokster-type peer-to-peer software. Such software permits the exchange of *any* sort of digital file—whether that file does, or does not, contain copyrighted material. As more and more uncopyrighted information is stored in swappable form, it seems a likely inference that lawful peer- to-peer sharing will become increasingly prevalent.

There may be other now-unforeseen noninfringing uses that develop for peer-to-peer software, just as the home-video rental industry (unmentioned in Sony) developed for the VCR. But the foreseeable development of such uses, when taken together with an estimated 10% noninfringing material, is sufficient to meet Sony’s standard.

Of course, Grokster itself may not want to develop these other noninfringing uses. But Sony’s standard seeks to protect not the Groksters of this world (which in any event may well be liable under today’s holding), but the development of technology more generally. And Grokster’s desires in this respect are beside the point.

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## Check Your Understanding – *Grokster*

**Question 1.** What was the difference between the filesharing service provided by Grokster and the Napster service that, according to *Grokster*, rendered its service noninfringing under *Napster*?



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-69>

**Question 2.** Why did the lower courts find in favor of the accused companies in *Grokster*?



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-70>

**Question 3.** True or False: *Grokster* holds 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.



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-71>

**Question 4.** What specific facts led the Court to conclude that the accused companies were liable for contributory infringement?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-72>

Some things to consider when reading *Perfect 10 v. Amazon*:

1. We looked at excerpts from this case earlier in the section of the casebook addressing the public display right. In that part of the decision, the court found that Google was probably not directly liable for “publicly displaying” the full-size images because those images did not reside on Google’s servers, i.e., the Ninth Circuit’s “server test.” In this part of the decision, the court considers whether Google could be held liable for indirect copyright infringement based on the infringement of the public display right by third parties.
2. The decision discusses *Netcom*, an influential district court decision that appears later in this casebook in the section on DMCA safe harbors.
3. According to *Perfect 10 v. Amazon*, under what circumstances can a computer system operator be held contributorily liable for providing access to infringing works?
4. Why didn’t the “Sony rule” immunize Google from contributory liability?
5. Might the outcome have been different if Google had image-recognition technology?

## *Perfect 10, Inc. v. Amazon.com, Inc.*

508 F.3d 1146 (9th Cir. 2007)

IKUTA, Circuit Judge:

In this appeal, we consider a copyright owner's efforts to stop an Internet search engine from facilitating access to infringing images. Perfect 10, Inc. sued Google Inc., for infringing Perfect 10's copyrighted photographs of nude models, among other claims. The district court preliminarily enjoined Google from creating and publicly displaying thumbnail versions of Perfect 10's images, but did not enjoin Google from linking to third-party websites that display infringing full-size versions of Perfect 10's images.

### **I**

#### **Background**

*[Editor's note: For the background of the case, see the excerpt from this decision appearing in the subsection of this casebook directed towards the public display right.]*

### **III**

#### **Direct Infringement**

*[Editor's note: The court held that Perfect 10 was likely to prevail in its claim that Google violated Perfect 10's display right with respect to the infringing thumbnails, but not likely to prevail on its claim that Google violated either Perfect 10's display or distribution right with respect to its full-size infringing images. This part of the decision appears in the subsection of this casebook directed towards the public display right.]*

#### **C. Fair Use Defense**

*[Editor's note: The court held that Google's use of thumbnails is a fair use and therefore does not constitute an infringement of Perfect 10's copyright. This part of the decision appears later in this casebook in the section on fair use.]*

### **IV**

#### **Secondary Liability for Copyright Infringement**

We now turn to the district court's ruling that Google is unlikely to be secondarily liable for its in-line linking to infringing full-size images under the doctrines of contributory and vicarious infringement. The district court ruled that Perfect 10 did not have a likelihood of proving success on the merits of either its contributory infringement or vicarious infringement claims with respect to the full-size images. In reviewing the district court's conclusions, we are guided by the Supreme Court's recent interpretation of secondary liability, namely: "one infringes contributorily by intentionally inducing or encouraging direct infringement, and infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it." *Grokster*, 545 U.S. at 930.

*Direct Infringement by Third Parties.* As a threshold matter, before we examine Perfect 10's claims that

Google is secondarily liable, Perfect 10 must establish that there has been direct infringement by third parties.

[Editor's note: The court found it to be undisputed that third-party websites directly infringed Perfect 10's copyright by reproducing, displaying, and distributing unauthorized copies of Perfect 10's images.]

### **A. Contributory Infringement**

In order for Perfect 10 to show it will likely succeed in its contributory liability claim against Google, it must establish that Google's activities meet the definition of contributory liability recently enunciated in *Grokster*. Within the general rule that "one infringes contributorily by intentionally inducing or encouraging direct infringement," the Court has defined two categories of contributory liability: "Liability under our jurisprudence may be predicated on actively encouraging (or inducing) infringement through specific acts (as the Court's opinion develops) or on distributing a product distributees use to infringe copyrights, if the product is not capable of 'substantial' or 'commercially significant' noninfringing uses."

Looking at the second category of liability identified by the Supreme Court (distributing products), Google relies on *Sony* to argue that it cannot be held liable for contributory infringement because liability does not arise from the mere sale of a product (even with knowledge that consumers would use the product to infringe) if the product is capable of substantial non-infringing use. Google argues that its search engine service is such a product. Assuming the principle enunciated in *Sony* is applicable to the operation of Google's search engine, then Google cannot be held liable for contributory infringement solely because the design of its search engine facilitates such infringement. Nor can Google be held liable solely because it did not develop technology that would enable its search engine to automatically avoid infringing images. However, Perfect 10 has not based its claim of infringement on the design of Google's search engine and the *Sony* rule does not immunize Google from other sources of contributory liability.

We must next consider whether Google could be held liable under the first category of contributory liability identified by the Supreme Court, that is, the liability that may be imposed for intentionally encouraging infringement through specific acts.<sup>1</sup> *Grokster* tells us that contribution to infringement must be intentional for liability to arise. However, *Grokster* also directs us to analyze contributory liability in light of "rules of fault-based liability derived from the common law," and common law principles establish that intent may be imputed. Tort law ordinarily imputes to an actor the intention to cause the natural and probable consequences of his conduct. RESTATEMENT (SECOND) OF TORTS § 8A cmt. b (1965) ("If the actor knows that the consequences are certain, or substantially certain, to result from his act, and still goes ahead, he is treated by the law as if he had in fact desired to produce the result."). When the Supreme Court imported patent law's "staple article of commerce doctrine" into the copyright context, it also adopted these principles of imputed intent. *Grokster*, 545 U.S. at 932 ("The [staple article of commerce] doctrine was devised to identify instances in which it may be presumed from distribution of an article in commerce that the distributor intended the article to be used to infringe another's patent, and so may justly be held liable for that infringement."). Therefore, under *Grokster*, an actor may be contributorily liable for intentionally encouraging direct infringement if the actor knowingly takes steps that are substantially certain to result in such direct infringement.

Our tests for contributory liability are consistent with the rule set forth in *Grokster*. We have adopted the

general rule set forth in *Gershwin Publishing Corp. v. Columbia Artists Management, Inc.*, namely: “one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a ‘contributory’ infringer.”

We have further refined this test in the context of cyberspace to determine when contributory liability can be imposed on a provider of Internet access or services. In *Napster*, we considered claims that the operator of an electronic file sharing system was contributorily liable for assisting individual users to swap copyrighted music files stored on their home computers with other users of the system. We stated that “if a computer system operator learns of specific infringing material available on his system and fails to purge such material from the system, the operator knows of and contributes to direct infringement.” Because *Napster* knew of the availability of infringing music files, assisted users in accessing such files, and failed to block access to such files, we concluded that *Napster* materially contributed to infringement.

The *Napster* test for contributory liability was modeled on the influential district court decision in *Religious Technology Center v. Netcom On-Line Communication Services, Inc.* (*Netcom*), 907 F.Supp. 1361, 1365–66 (N.D.Cal.1995). In *Netcom*, a disgruntled former Scientology minister posted allegedly infringing copies of Scientological works on an electronic bulletin board service. The messages were stored on the bulletin board operator’s computer, then automatically copied onto *Netcom*’s computer, and from there copied onto other computers comprising “a worldwide community” of electronic bulletin board systems. *Netcom* held that if plaintiffs could prove that *Netcom* knew or should have known that the minister infringed plaintiffs’ copyrights, “*Netcom*[would] be liable for contributory infringement since its failure to simply cancel [the former minister’s] infringing message and thereby stop an infringing copy from being distributed worldwide constitute[d] substantial participation in [the former minister’s] public distribution of the message.”

Although neither *Napster* nor *Netcom* expressly required a finding of intent, those cases are consistent with *Grokster* because both decisions ruled that a service provider’s knowing failure to prevent infringing actions could be the basis for imposing contributory liability. Under such circumstances, intent may be imputed. In addition, *Napster* and *Netcom* are consistent with the longstanding requirement that an actor’s contribution to infringement must be material to warrant the imposition of contributory liability.

Both *Napster* and *Netcom* acknowledge that services or products that facilitate access to websites throughout the world can significantly magnify the effects of otherwise immaterial infringing activities. The Supreme Court has acknowledged that “[t]he argument for imposing indirect liability” is particularly “powerful” when individuals using the defendant’s software could make a huge number of infringing downloads every day. *Grokster*, 545 U.S. at 929. Moreover, copyright holders cannot protect their rights in a meaningful way unless they can hold providers of such services or products accountable for their actions pursuant to a test such as that enunciated in *Napster*. Accordingly, we hold that a computer system operator can be held contributorily liable if it “has actual knowledge that specific infringing material is available using its system,” *Napster*, 239 F.3d at 1022, and can “take simple measures to prevent further damage” to copyrighted works, *Netcom*, 907 F.Supp. at 1375, yet continues to provide access to infringing works.

Here, the district court held that even assuming Google had actual knowledge of infringing material available on its system, Google did not materially contribute to infringing conduct because it did not undertake any substantial promotional or advertising efforts to encourage visits to infringing websites, nor provide a significant revenue stream to the infringing websites. This analysis is erroneous. There is no dispute that

Google substantially assists websites to distribute their infringing copies to a worldwide market and assists a worldwide audience of users to access infringing materials. We cannot discount the effect of such a service on copyright owners, even though Google's assistance is available to all websites, not just infringing ones. Applying our test, Google could be held contributorily liable if it had knowledge that infringing Perfect 10 images were available using its search engine, could take simple measures to prevent further damage to Perfect 10's copyrighted works, and failed to take such steps.

The district court did not resolve the factual disputes over the adequacy of Perfect 10's notices to Google and Google's responses to these notices. Moreover, there are factual disputes over whether there are reasonable and feasible means for Google to refrain from providing access to infringing images. Therefore, we must remand this claim to the district court for further consideration whether Perfect 10 would likely succeed in establishing that Google was contributorily liable for in-line linking to full-size infringing images under the test enunciated today.

### **B. Vicarious Infringement**

Perfect 10 also challenges the district court's conclusion that it is not likely to prevail on a theory of vicarious liability against Google. *Grokster* states that one "infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it." As this formulation indicates, to succeed in imposing vicarious liability, a plaintiff must establish that the defendant exercises the requisite control over the direct infringer and that the defendant derives a direct financial benefit from the direct infringement. *Grokster* further explains the "control" element of the vicarious liability test as the defendant's "right and ability to supervise the direct infringer." Thus, under *Grokster*, a defendant exercises control over a direct infringer when he has both a legal right to stop or limit the directly infringing conduct, as well as the practical ability to do so.

With respect to the "control" element set forth in *Grokster*, Perfect 10 has not demonstrated a likelihood of showing that Google has the legal right to stop or limit the direct infringement of third-party websites. Unlike *Fonovisa*, where by virtue of a "broad contract" with its vendors the defendant swap meet operators had the right to stop the vendors from selling counterfeit recordings on its premises, Perfect 10 has not shown that Google has contracts with third-party websites that empower Google to stop or limit them from reproducing, displaying, and distributing infringing copies of Perfect 10's images on the Internet.

Nor is Google similarly situated to Napster. Napster users infringed the plaintiffs' reproduction and distribution rights through their use of Napster's proprietary music-file sharing system. There, the infringing conduct was the use of Napster's "service to download and upload copyrighted music." Because Napster had a closed system requiring user registration, and could terminate its users' accounts and block their access to the Napster system, Napster had the right and ability to prevent its users from engaging in the infringing activity of uploading file names and downloading Napster users' music files through the Napster system. By contrast, Google cannot stop any of the third-party websites from reproducing, displaying, and distributing unauthorized copies of Perfect 10's images because that infringing conduct takes place on the third-party websites. Google cannot terminate those third-party websites or block their ability to "host and serve infringing full-size images" on the Internet.

Moreover, the district court found that Google lacks the practical ability to police the third-party websites'



infringing conduct. Specifically, the court found that Google’s supervisory power is limited because “Google’s software lacks the ability to analyze every image on the [I]nternet, compare each image to all the other copyrighted images that exist in the world ... and determine whether a certain image on the web infringes someone’s copyright.” The district court also concluded that Perfect 10’s suggestions regarding measures Google could implement to prevent its web crawler from indexing infringing websites and to block access to infringing images were not workable. Rather, the suggestions suffered from both “imprecision and overbreadth.” We hold that these findings are not clearly erroneous. Without image-recognition technology, Google lacks the practical ability to police the infringing activities of third-party websites. This distinguishes Google from the defendants held liable in *Napster* and *Fonovisa*.

Perfect 10 argues that Google could manage its own operations to avoid indexing websites with infringing content and linking to third-party infringing sites. This is a claim of contributory liability, not vicarious liability. Although the lines between direct infringement, contributory infringement, and vicarious liability are not clearly drawn, in general, contributory liability is based on the defendant’s failure to stop its own actions which facilitate third-party infringement, while vicarious liability is based on the defendant’s failure to cause a third party to stop its directly infringing activities. Google’s failure to change its operations to avoid assisting websites to distribute their infringing content may constitute contributory liability. However, this failure is not the same as declining to exercise a right and ability to make third-party websites stop their direct infringement. We reject Perfect 10’s efforts to blur this distinction.

Because we conclude that Perfect 10 has not shown a likelihood of establishing Google’s right and ability to stop or limit the directly infringing conduct of third-party websites, we agree with the district court’s conclusion that Perfect 10 has not established a likelihood of proving the control prong necessary for vicarious liability.

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## Check Your Understanding – *Perfect 10 v. Amazon*

**Question 1.** According to *Perfect 10 v. Amazon*, under what circumstances can a computer system operator be held contributorily liable for providing access to infringing works?



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-93>

**Question 2.** Why did the “Sony rule” not immunize Google from contributory liability?





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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-94>

**Question 3.** True or false: The outcome in *Amazon* might have been different if Google had image-recognition technology.



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-95>

Some things to consider when reading *Perfect 10 v. Visa*:

1. The question in this case is whether a credit card company can be held contributorily liable for copyright infringement by third parties based on the credit card company's processing of payments for the infringing content.
2. The copyright owner argues that if Google can potentially be held liable for providing a service that allows third parties to locate infringing content (see *Perfect 10, Inc. v. Amazon.com, Inc.*), then the credit card company can be held liable for providing a service that allows third parties to pay for infringing content. The majority in this split decision rejects that argument, while the dissent argues that, if anything, the credit card company should bear more liability. Which opinion do you find more persuasive?
3. The case is an example of the sometimes difficult task of delineating between mere "contribution" to infringing conduct, which does not constitute contributory infringement, and "material contribution" to infringing conduct, which can result in liability when coupled with knowledge.
4. Note the majority's emphasis on the difference between making it easier to infringe vs. easier to profit from infringement, and the dissent's rejection of this supposed distinction. Who do you find most convincing?
5. Note the analogy *Perfect 10* seeks to establish between the facts of this case and *Fonovisa* and *Napster*. Why did the court distinguish the cases?

### *Perfect 10, Inc. v. Visa Int'l Serv. Ass'n*

494 F.3d 788 (9th Cir. 2007)

MILAN D. SMITH, JR., Circuit Judge:

*Perfect 10, Inc.* (*Perfect 10*) sued Visa International Service Association, MasterCard International Inc.,

and several affiliated banks and data processing services (collectively, the Defendants), alleging secondary liability under federal copyright and trademark law and liability under California statutory and common law. It sued because Defendants continue to process credit card payments to websites that infringe Perfect 10's intellectual property rights after being notified by Perfect 10 of infringement by those websites. The district court dismissed all causes of action under Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim upon which relief can be granted. We affirm the decision of the district court.

## **FACTS AND PRIOR PROCEEDINGS**

Perfect 10 publishes the magazine “PERFECT10” and operates the subscription website [www.perfect10.com](http://www.perfect10.com), both of which “feature tasteful copyrighted images of the world’s most beautiful natural models.” Perfect 10 claims copyrights in the photographs published in its magazine and on its website, federal registration of the “PERFECT 10” trademark and blanket publicity rights for many of the models appearing in the photographs. Perfect 10 alleges that numerous websites based in several countries have stolen its proprietary images, altered them, and illegally offered them for sale online.

Instead of suing the direct infringers in this case, Perfect 10 sued Defendants, financial institutions that process certain credit card payments to the allegedly infringing websites. The Visa and MasterCard entities are associations of member banks that issue credit cards to consumers, automatically process payments to merchants authorized to accept their cards, and provide information to the interested parties necessary to settle the resulting debits and credits. Defendants collect fees for their services in these transactions. Perfect 10 alleges that it sent Defendants repeated notices specifically identifying infringing websites and informing Defendants that some of their consumers use their payment cards to purchase infringing images. Defendants admit receiving some of these notices, but they took no action in response to the notices after receiving them.

## **SECONDARY LIABILITY UNDER FEDERAL COPYRIGHT AND TRADEMARK LAW**

### **A. Secondary Liability for Copyright Infringement**

Perfect 10 alleges that numerous websites based in several countries—and their paying customers—have directly infringed its rights under the Copyright Act. In the present suit, however, Perfect 10 has sued Defendants, not the direct infringers, claiming contributory and vicarious copyright infringement because Defendants process credit card charges incurred by customers to acquire the infringing images.

We evaluate Perfect 10's claims with an awareness that credit cards serve as the primary engine of electronic commerce and that Congress has determined it to be the “policy of the United States—(1) to promote the continued development of the Internet and other interactive computer services and other interactive media [and] (2) to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by Federal or State regulation.” 47 U.S.C. §§ 230(b)(1), (2).

### **1. Contributory Copyright Infringement**

We have found that a defendant is a contributory infringer if it (1) has knowledge of a third party's infringing activity, and (2) induces, causes, or materially contributes to the infringing conduct. In an Internet context, we have found contributory liability when the defendant “engages in personal conduct

that encourages or assists the infringement.” *A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1019 (9th Cir.2001). In *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, the Supreme Court adopted from patent law the concept of “inducement” and found that one infringes contributorily by intentionally inducing or encouraging direct infringement. Most recently, in a case also brought by Perfect 10, we found that “an actor may be contributorily liable [under *Grokster* ] for intentionally encouraging direct infringement if the actor knowingly takes steps that are substantially certain to result in such direct infringement.” *Amazon.com*, 487 F.3d at 727.

We understand these several criteria to be non-contradictory variations on the same basic test, i.e., that one contributorily infringes when he (1) has knowledge of another’s infringement and (2) either (a) materially contributes to or (b) induces that infringement. Viewed in isolation, the language of the tests described is quite broad, but when one reviews the details of the actual “cases and controversies” before the relevant court in each of the test-defining cases and the actual holdings in those cases, it is clear that the factual circumstances in this case are not analogous. To find that Defendants’ activities fall within the scope of such tests would require a radical and inappropriate expansion of existing principles of secondary liability and would violate the public policy of the United States.

#### **a. Knowledge of the Infringing Activity**

Because we find that Perfect 10 has not pled facts sufficient to establish that Defendants induce or materially contribute to the infringing activity, Perfect 10’s contributory copyright infringement claim fails and we need not address the Defendants’ knowledge of the infringing activity.

#### **b. Material Contribution, Inducement, or Causation**

To state a claim of contributory infringement, Perfect 10 must allege facts showing that Defendants induce, cause, or materially contribute to the infringing conduct. Three key cases found defendants contributorily liable under this standard: *Fonovisa*, 76 F.3d 259; *Napster*, 239 F.3d 1004; and *Grokster*, 545 U.S. 913. In *Fonovisa*, we held a swap meet operator contributorily liable for the sale of pirated works at the swap meet. In *Napster*, we held the operator of an electronic file sharing system liable when users of that system employed it to exchange massive quantities of copyrighted music. In *Grokster*, the Supreme Court found liability for the substantially similar act of distributing software that enabled exchange of copyrighted music on a peer-to-peer, rather than a centralized basis. Perfect 10 argues that by continuing to process credit card payments to the infringing websites despite having knowledge of ongoing infringement, Defendants induce, enable and contribute to the infringing activity in the same way the defendants did in *Fonovisa*, *Napster* and *Grokster*. We disagree.

#### **1. Material Contribution**

The credit card companies cannot be said to materially contribute to the infringement in this case because they have no direct connection to that infringement. Here, the infringement rests on the reproduction, alteration, display and distribution of Perfect 10’s images over the Internet. Perfect 10 has not alleged that any infringing material passes over Defendants’ payment networks or through their payment processing systems, or that Defendants’ systems are used to alter or display the infringing images. In *Fonovisa*, the infringing material was physically located in and traded at the defendant’s market. Here, it is not. Nor are Defendants’ systems used to locate the infringing images. The search engines in *Amazon.com* provided links

to specific infringing images, and the services in *Napster* and *Grokster* allowed users to locate and obtain infringing material. Here, in contrast, the services provided by the credit card companies do not help locate and are not used to distribute the infringing images. While Perfect 10 has alleged that Defendants make it easier for websites to profit from this infringing activity, the issue here is reproduction, alteration, display and distribution, which can occur without payment. Even if infringing images were not paid for, there would still be infringement.

Our analysis is fully consistent with this court's recent decision in *Perfect 10 v. Amazon.com*, where we found that "Google could be held contributorily liable if it had knowledge that infringing Perfect 10 images were available using its search engine, could take simple measures to prevent further damage to Perfect 10's copyrighted works, and failed to take such steps." The dissent claims this statement applies squarely to Defendants if we just substitute "payment systems" for "search engine." But this is only true if search engines and payment systems are equivalents for these purposes, and they are not. The salient distinction is that Google's search engine itself assists in the distribution of infringing content to Internet users, while Defendants' payment systems do not. The *Amazon.com* court noted that "Google substantially assists websites to distribute their infringing copies to a worldwide market and assists a worldwide audience of users to access infringing materials." Defendants do not provide such a service. They in no way assist or enable Internet users to locate infringing material, and they do not distribute it. They do, as alleged, make infringement more profitable, and people are generally more inclined to engage in an activity when it is financially profitable. However, there is an additional step in the causal chain: Google may materially contribute to infringement by making it fast and easy for third parties to locate and distribute infringing material, whereas Defendants make it easier for infringement to be profitable, which tends to increase financial incentives to infringe, which in turn tends to increase infringement.

The dissent disagrees with our reading of *Amazon.com* and charges us with wishful thinking, and with "draw[ing] a series of ephemeral distinctions." We respectfully disagree and assert that our construction of the relevant statutes and case law is completely consistent with existing federal law, is firmly grounded in both commercial and technical reality and conforms to the public policy of the United States. Helping users to locate an image might substantially assist users to download infringing images, but processing payments does not. If users couldn't pay for images with credit cards, infringement could continue on a large scale because other viable funding mechanisms are available. For example, a website might decide to allow users to download some images for free and to make its profits from advertising, or it might develop other payment mechanisms that do not depend on the credit card companies. In either case, the unlicensed use of Perfect 10's copyrighted images would still be infringement. We acknowledge that Defendants' payment systems make it easier for such an infringement to be profitable, and that they therefore have the effect of increasing such infringement, but because infringement of Perfect 10's copyrights can occur without using Defendants' payment system, we hold that payment processing by the Defendants as alleged in Perfect 10's First Amended Complaint does not constitute a "material contribution" under the test for contributory infringement of copyrights.

Our holding is also fully consistent with and supported by this court's previous holdings in *Fonovisa* and *Napster*. In *Fonovisa*, we held a flea market proprietor liable as a contributory infringer when it provided the facilities for and benefitted from the sale of pirated works. The *Fonovisa* court found liability because the swap meet operator knowingly provided the "site and facilities" for the infringing activity.

In *Napster*, this court found the designer and distributor of a software program liable for contributory infringement. Napster was a file-sharing program which, while capable of non-infringing use, was expressly engineered to enable the easy exchange of pirated music and was widely so used. Citing the *Fonovisa* standard, the *Napster* court found that Napster materially contributes to the users' direct infringement by knowingly providing the "site and facilities" for that infringement.

Seeking to draw an analogy to *Fonovisa* and, by extension, *Napster*, Perfect 10 pleads that Defendants materially contribute to the infringement by offering services that allow it to happen on a larger scale than would otherwise be possible. Specifically, because the swap meet in *Fonovisa* created a commercial environment which allowed the frequency of that infringement to increase, and the *Napster* program increased the frequency of infringement by making it easy, Perfect 10 argues that the Defendants have made available a payment system that allows third-party infringement to be profitable, and, consequently, more widespread than it otherwise might be. This analogy fails.

The swap meet operator in *Fonovisa* and the administrators of the *Napster* and *Grokster* programs increased the level of infringement by providing a centralized place, whether physical or virtual, where infringing works could be collected, sorted, found, and bought, sold, or exchanged.

Defendants merely provide a method of payment, not a "site" or "facility" of infringement. Any conception of "site and facilities" that encompasses Defendants would also include a number of peripherally-involved third parties, such as computer display companies, storage device companies, and software companies that make the software necessary to alter and view the pictures and even utility companies that provide electricity to the Internet.

## **2. Vicarious Copyright Infringement**

Vicarious infringement is a concept related to, but distinct from, contributory infringement. To state a claim for vicarious copyright infringement, a plaintiff must allege that the defendant has (1) the right and ability to supervise the infringing conduct and (2) a direct financial interest in the infringing activity. The Supreme Court has recently offered (in dictum) an alternate formulation of the test: "One ... infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it." *Grokster*, 545 U.S. at 930. Perfect 10 alleges that Defendants have the right and ability to control the content of the infringing websites by refusing to process credit card payments to the websites, enforcing their own rules and regulations, or both. We hold that Defendants' conduct alleged in Perfect 10's first amended complaint fails to state a claim for vicarious copyright infringement.

### **a. Right and Ability to Supervise the Infringing Activity**

In order to join a Defendant's payment network, merchants and member banks must agree to follow that Defendant's rules and regulations. These rules, among other things, prohibit member banks from providing services to merchants engaging in certain illegal activities and require the members and member banks to investigate merchants suspected of engaging in such illegal activity and to terminate their participation in the payment network if certain illegal activity is found. Perfect 10 has alleged that certain websites are infringing Perfect 10's copyrights and that Perfect 10 sent notices of this alleged infringement to Defendants. Accordingly, Perfect 10 has adequately pled that (1) infringement of Perfect 10's copyrights was occurring, (2) Defendants were aware of the infringement, and (3) on this basis, Defendants could have stopped

processing credit card payments to the infringing websites. These allegations are not, however, sufficient to establish vicarious liability because even with all reasonable inferences drawn in Perfect 10's favor, Perfect 10's allegations of fact cannot support a finding that Defendants have the right and ability to control the infringing activity.

In reasoning closely analogous to the present case, the *Amazon.com* court held that Google was not vicariously liable for third-party infringement that its search engine facilitates. In so holding, the court found that Google's ability to control its own index, search results, and webpages does not give Google the right to control the infringing acts of third parties even though that ability would allow Google to affect those infringing acts to some degree. Moreover, and even more importantly, the *Amazon.com* court rejected a vicarious liability claim based on Google's policies with sponsored advertisers, which state that it reserves "the right to monitor and terminate partnerships with entities that violate others' copyright[s]." The court found that

Google's right to terminate an AdSense partnership does not give Google the right to stop direct infringement by third-party websites. An infringing third-party website can continue to reproduce, display, and distribute its infringing copies of Perfect 10 images after its participation in the AdSense program has ended.

This reasoning is equally applicable to the Defendants in this case. Just like Google, Defendants could likely take certain steps that may have the indirect effect of reducing infringing activity on the Internet at large. However, neither Google nor Defendants has any ability to directly control that activity, and the mere ability to withdraw a financial "carrot" does not create the "stick" of "right and ability to control" that vicarious infringement requires. A finding of vicarious liability here, under the theories advocated by the dissent, would also require a finding that Google is vicariously liable for infringement—a conflict we need not create, and radical step we do not take.

Perfect 10 also argues that were infringing websites barred from accepting the Defendants' credit cards, it would be impossible for an online website selling adult images to compete and operate at a profit. While we must take this allegation as true, it still fails to state a claim because it conflates the power to stop profiteering with the right and ability to control infringement. Perfect 10's allegations do not establish that Defendants have the authority to prevent theft or alteration of the copyrighted images, remove infringing material from these websites or prevent its distribution over the Internet. Rather, they merely state that this infringing activity could not be profitable without access to Defendants' credit card payment systems. The alleged infringement does not turn on the payment; it turns on the reproduction, alteration and distribution of the images, which Defendants do not do, and which occurs over networks Defendants do not control.

### **b. Obvious and Direct Financial Interest in the Infringing Activity**

Because Perfect 10 has failed to show that Defendants have the right and ability to control the alleged infringing conduct, it has not pled a viable claim of vicarious liability. Accordingly, we need not reach the issue of direct financial interest.

#### **KOZINSKI, Circuit Judge, dissenting for the most part:**

Federal law gives copyright owners the exclusive right to "distribute copies [of their works] ... to the

public by sale.” 17 U.S.C. § 106(3). Plaintiff alleges that certain third parties it refers to as the “Stolen Content Websites” unlawfully copy its protected images and sell them to the public, using defendants’ payment systems as financial intermediaries. According to plaintiff, the Stolen Content Websites “maintain no physical presence in the United States in order to evade criminal and civil liability for their illegal conduct.” Plaintiff also claims that “Defendants do not enforce their own rules against [the] Stolen Content Websites because Defendants do not want to lose the substantial revenues and profits they receive from the websites.” Plaintiff has repeatedly notified defendants that they are abetting the sale of stolen merchandise by “knowingly providing crucial transactional support services for the sale of millions of stolen photos and film clips worth billions of dollars,” but to no avail. Frustrated in its effort to protect the rights Congress has given it, plaintiff turns to the federal courts for redress. We should not slam the courthouse door in its face.

Accepting the truth of plaintiff’s allegations, as we must on a motion to dismiss, the credit cards are easily liable for indirect copyright infringement: They knowingly provide a financial bridge between buyers and sellers of pirated works, enabling them to consummate infringing transactions, while making a profit on every sale. If such active participation in infringing conduct does not amount to indirect infringement, it’s hard to imagine what would. By straining to absolve defendants of liability, the majority leaves our law in disarray.

### **Contributory Infringement**

We have long held that a defendant is liable for contributory infringement if it “materially contributes to the infringing conduct.” Our recent opinion in *Perfect 10, Inc. v. Amazon.com, Inc.*, 487 F.3d 701 (9th Cir.2007), canvasses the caselaw in this area and concludes that Google “could be held contributorily liable if it had knowledge that infringing Perfect 10 images were available using its search engine, could take simple measures to prevent further damage to Perfect 10’s copyrighted works, and failed to take such steps.” Substitute “payment systems” for “search engine” in this sentence, and it describes defendants here: If a consumer wishes to buy an infringing image from one of the Stolen Content Websites, he can do so by using Visa or MasterCard, just as he can use Google to find the infringing images in the first place.

This is not just an economic incentive for infringement; it’s an essential step in the infringement process. At the pleadings stage, we must accept plaintiff’s allegations that credit cards are indispensable to the operation of the Stolen Content Websites, and that these websites would be forced out of business without them.

The majority’s attempt to distinguish location services from payment services by trying to show that there are viable alternatives for the latter but not the former cuts entirely against them. As plaintiff alleges, and experience tells us, there are numerous ways of locating infringing images on the Internet, but there are no adequate substitutes for credit cards when it comes to paying for them. A few consumers might use checks or money orders to pay for infringing images, but this would be far more cumbersome, time-consuming and risky than using credit cards. If it mattered whether search engines or credit cards are more important to peddling infringing content on the Internet, the cards would win hands down.

Defendants here are alleged to provide an essential service to infringers, a service that enables infringement on a massive scale. Defendants know about the infringements; they profit from them; they are intimately and causally involved in a vast number of infringing transactions that could not be consummated if they refused



to process the payments; they have ready means to stop the infringements. Were we to rule for plaintiff, as we should, I have every confidence that future courts would be able to distinguish this case when and if they are confronted with lawsuits against utility companies, software vendors and others who provide incidental services to infringers.

### **Vicarious Infringement**

A party “infringes vicariously by profiting from direct infringement while declining to exercise a right to stop or limit it.” There is no doubt that defendants profit from the infringing activity of the Stolen Content Websites; after all, they take a cut of virtually every sale of pirated material.

Defendants here also have a right to stop or limit the infringing activity, a right they have refused to exercise. As the majority recognizes, “Perfect 10 ... claims that Defendants’ rules and regulations permit them to require member merchants to cease illegal activity—presumably including copyright infringement—as a condition to their continuing right to receive credit card payments from the relevant Defendant entities.”

That the pirates might find some other way of doing business is of no consequence; our cases make this perfectly clear. It didn’t matter in *Fonovisa* that the infringers there could have continued their illegal sales by mail order or by hawking their unlawful merchandise on street corners. Nor did it matter in *Napster* or *Grokster* that the direct infringers might find some other means of illegally sharing their protected content with others. Indeed, there is no case involving secondary infringement, going back to the dance hall cases of the last century, where the secondary infringer’s refusal to do business with the direct infringer could have stopped infringement altogether and forever. Yet, courts have presumed that removing the particular means of infringement challenged in each case would make direct infringement more difficult and thereby diminish the scale of infringing activity.

Here, the Stolen Content Websites have chosen credit cards as a form of payment, and for good reason. Credit cards are ubiquitous and permit the transfer of funds electronically in a matter of seconds. Consumers need not wait days or weeks for a check to reach its destination and clear before gaining access to the salacious pictures they crave. Consumers also know that, if goods bought by credit card are not delivered, the cards will likely reverse the transaction. Credit cards thus act as informal escrow agents, effectively guaranteeing that their merchants will deliver the goods. Blocking the ability to accept credit cards would be a heavy blow to the Stolen Content Websites because cards are “overwhelmingly the primary way by which customers pay to view Stolen Content Websites.”

To resolve this case, however, we need not adopt a rule holding all credit cards responsible for all infringing Internet sales because plaintiff has alleged far more than the ordinary credit card/merchant relationship. According to plaintiff, defendants have adopted special rules and practices that apply only to the Stolen Content Websites, and that are designed to make it easier for these websites to ply their illegal trade. Plaintiff claims that the credit cards have singled out the Stolen Content Websites for preferential treatment because of the unusual and substantial profits they make on such transactions. Read fully and fairly, the complaint alleges that defendants are not merely passive providers of services available on equal terms to legal and illegal businesses alike; they are actually in cahoots with the pirates to prop up their illegal businesses and share their ill-gotten gains. If this is not vicarious infringement, nothing is.

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## Check Your Understanding – *Perfect 10 v. Visa*

**Question 1.** Why does the majority in *Visa* reject the copyright owner’s argument that if Google can potentially be held liable for providing a service that allows third parties to locate infringing content (see *Perfect 10, Inc. v. Amazon.com, Inc.*), then the defendant credit card processing companies can be held liable for providing a service that allows third parties to pay for infringing content?



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**Question 2.** On what basis did the *Visa* majority distinguish between the facts of that case and those of *Fonavisa* and *Napster*?



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Some things to consider when reading *BMG Rts. Mgmt.*:

1. Excerpts from this 2018 decision appear later in this casebook in the section on DMCA safe harbors. The excerpts from the decision reproduced below address challenges to the jury instructions relating to contributory infringement.
2. In particular, the court addresses the proper interpretation of Sony’s safe harbor for technologies “capable of substantial noninfringing use” in light of the Supreme Court’s subsequent decision in *Grokster*.
3. In this decision, the Fourth Circuit holds that the district court erred by instructing the jury that a party can be held liable for contributory infringement if it “knew or should have known of such infringing activity,” i.e., a negligence standard, and held that contributory liability can be based on willful blindness, but not on recklessness or negligence.

### *BMG Rts. Mgmt. (US) LLC v. Cox Commc’ns, Inc.*

881 F.3d 293 (4th Cir. 2018)

DIANA GRIBBON MOTZ, Circuit Judge:

BMG Rights Management (US) LLC (“BMG”), which owns copyrights in musical compositions, filed this suit

alleging copyright infringement against Cox Communications, Inc. and CoxCom, LLC (collectively, “Cox”), providers of high-speed Internet access. BMG seeks to hold Cox contributorily liable for infringement of BMG’s copyrights by subscribers to Cox’s Internet service. After a two-week trial, a jury found Cox liable for willful contributory infringement and awarded BMG \$25 million in statutory damages. Cox appeals, asserting that the district court incorrectly instructed the jury. We reverse in part, vacate in part, and remand for a new trial because of certain errors in the jury instructions.

[Editor’s note: The background of this decision and a section addressing the DMCA safe harbor defense appear later in this casebook. The discussion of the challenged jury instructions appears below.]

### III.

We turn to Cox’s other principal challenge to the judgment: that the district court erred in instructing the jury as to contributory infringement. Where an instruction is erroneous, we will set aside the verdict if there is a reasonable probability that the erroneous instruction affected the jury’s verdict.

#### A.

Cox’s initial jury instruction argument rests on its contention that it cannot be held liable for contributory copyright infringement because its technology is “capable of substantial noninfringing use.” According to Cox, the district court erred in refusing to instruct the jury on this principle.

This argument is meritless. Of course, the mere sale of a product that has both lawful and unlawful uses does not in and of itself establish an intent to infringe. That is the holding of *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). In *Sony*, copyright holders sought to hold Sony contributorily liable for selling video cassette recorders (VCRs) that customers used to tape copyrighted programs. The Supreme Court rejected that claim, holding that because a VCR was “capable of commercially significant noninfringing uses,” its manufacturer, Sony, could not be held contributory liable for distribution of the VCR.

A few courts initially interpreted Sony’s limitation, as Cox does, to mean that if a product can be substantially used lawfully, its producer cannot be contributorily liable for copyright infringement. See, e.g., *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1162 (9th Cir. 2004), *vacated and remanded*, 545 U.S. 913 (2005); *Vault Corp. v. Quaid Software Ltd.*, 847 F.2d 255, 262, 267 (5th Cir. 1988). But in *Grokster*, the Supreme Court rejected this broad reading. See *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005). The Court clarified that Sony barred secondary liability based on *presuming or imputing intent* to cause infringement solely from the design or distribution of a product capable of substantial lawful use, which the distributor knows is in fact used for infringement. The *Grokster* Court explained that under *Sony*, intent to infringe will not be presumed from “the equivocal conduct of selling an item with substantial lawful as well as unlawful uses,” even when the seller has the “understanding that some of [his or her] products will be misused.” More is needed. But the fact that a product is “capable of substantial lawful use” does not mean the “producer can never be held contributorily liable.”

Exactly the same flaw infects Cox’s related argument that the district court erred in refusing to instruct the jury that “[i]t is not a material contribution to provide a product or service that is capable of substantial non-infringing uses.” As the Supreme Court explained, reversal was required in *Grokster* because the Ninth Circuit had “read Sony’s limitation to mean that whenever a product is capable of substantial lawful use, the

producer can never be held contributorily liable for third parties' infringing use of it .... [t]his view of Sony, however, was error."

Because the instruction Cox requested misstates the law, the district court did not err in refusing to give it. In fact, providing a product with "substantial non-infringing uses" *can* constitute a material contribution to copyright infringement. See, e.g., *Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1172 (9th Cir. 2007) (holding that Google's image search engine "substantially assists websites to distribute their infringing copies" of copyrighted images, and thus constitutes a material contribution, even though "Google's assistance is available to all websites, not just infringing ones"). *Grokster* makes clear that what matters is not simply whether the product has some or even many non-infringing uses, but whether the product is distributed with the *intent* to cause copyright infringement.

Thus, contrary to Cox's argument, the fact that its technology can be substantially employed for a noninfringing use does not immunize it from liability for contributory copyright infringement. The district court did not err in refusing to instruct the jury to the contrary.

## **B.**

Alternatively, Cox offers a more nuanced attack on the contributory infringement instructions. Cox contends that the court erred in charging the jury as to the intent necessary to prove contributory infringement. Specifically, Cox challenges the district court's instructions that the jury could impose liability for contributory infringement if the jury found "Cox knew or should have known of such infringing activity." We agree that in so instructing the jury, the court erred.

### **i.**

*Grokster* teaches that "[o]ne infringes contributorily by *intentionally* inducing or encouraging direct infringement." The requisite intent may, however, be presumed according to the "rules of fault-based liability derived from the common law." The most relevant of these common law rules is that if a person "knows that the consequences are certain, or substantially certain, to result from his act, and still goes ahead, he is treated by the law as if he had in fact desired to produce the result." See Restatement (Second) of Torts § 8A cmt. b (1965); *Grokster*, 545 U.S. at 932 (a person "will be presumed to intend the natural consequences of his acts" (internal quotation marks and citation omitted) ). Under this principle, "when an article is good for nothing else but infringement ... there is no injustice in presuming or imputing an intent to infringe" based on its sale. *Grokster*, 545 U.S. at 932. Assuming the seller is aware of the nature of his product—that its only use is infringing—he knows that infringement is substantially certain to result from his sale of that product and he may therefore be presumed to intend that result.

A similar result follows when a person sells a product that has lawful uses, but with the *knowledge* that the buyer *will in fact* use the product to infringe copyrights. In that circumstance, the seller knows that infringement is substantially certain to result from the sale; consequently, the seller intends to cause infringement just as much as a seller who provides a product that has exclusively unlawful uses.

These principles apply equally in cases, like this one, that involve subscription services or rentals rather than one-time sales. Consider a company that leases VCRs, learns that specific customers use their VCRs to infringe, but nonetheless renews the lease to those infringing customers. Given those facts, the company

knows that its action—renewing the lease of the VCR to these specific customers—is substantially certain to result in infringement, and so an intent to cause infringement may be presumed.

It is well-established that one mental state slightly less demanding than actual knowledge—willful blindness—can establish the requisite intent for contributory copyright infringement. This is so because the law recognizes willful blindness as *equivalent* to actual knowledge. See *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 766 (2011) (“[P]ersons who know enough to blind themselves to direct proof of critical facts in effect have actual knowledge of those facts.”); *Aimster*, 334 F.3d at 650 (“Willful blindness is knowledge, in copyright law ... as it is in the law generally.”).

Whether other mental states—such as negligence (where a defendant “should have known” of infringement)—can suffice to prove contributory copyright infringement presents a more difficult question. The notion that contributory liability could be imposed based on something less than actual knowledge, or its equivalent, willful blindness, is not entirely without support. See *Aimster*, 334 F.3d at 650 (“[I]n copyright law ... indeed it may be enough that the defendant *should* have known of the direct infringement ....”) Nonetheless, we believe for several reasons, that, as Cox contends, negligence does not suffice to prove contributory infringement; rather, at least willful blindness is required.

First, *Grokster*’s recitation of the standard—that “[o]ne infringes contributorily by intentionally inducing or encouraging direct infringement”—is on its face difficult to reconcile with a negligence standard. In addition, it would have been unnecessary for the Court to discuss in detail the situations in which intent may be presumed, and those situations, like *Sony*, in which it may not, if liability did not require intent at all, but merely required negligence.

Looking to patent law, as the Supreme Court did in *Sony* and *Grokster*, further counsels against a negligence standard. The Supreme Court has long held that contributory patent infringement requires knowledge of direct infringement. *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 488 (1964). And in 2011, the Court held that willful blindness satisfies this knowledge requirement, but recklessness (“one who merely knows of a substantial and unjustified risk of ... wrongdoing”) and negligence (“one who should have known of a similar risk but, in fact, did not”) do not. *Global-Tech*, 563 U.S. at 769–71. The Court reaffirmed this holding in 2015, stating that contributory patent infringement “requires proof the defendant knew the acts were infringing,” and that *Global-Tech* “was clear in rejecting any lesser mental state as the standard.” *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S.Ct. 1920, 1928 (2015). The Court expressly rejected the possibility “that a person, or entity, could be liable even though he did not know the acts were infringing.” Thus, in the patent context, it is clear that contributory infringement cannot be based on a finding that a defendant “should have known” of infringement.

In both *Grokster* and *Sony*, the Supreme Court adopted now-codified patent law doctrines—the staple article doctrine and the inducement rule. The Court did so because of the historic kinship between patent law and copyright law, and the similar need in both contexts to impose liability on culpable expression and conduct without discouraging the development of technologies with lawful and unlawful potential. We are persuaded that the *Global-Tech* rule developed in the patent law context, which held that contributory liability can be based on willful blindness but not on recklessness or negligence, is a sensible one in the copyright context. It appropriately targets culpable conduct without unduly burdening technological development.

We therefore hold that proving contributory infringement requires proof of at least willful blindness; negligence is insufficient.

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## Check Your Understanding – *BMG Rts. Mgmt.*

**Question 1.** True or false: Under *Sony*, if a product can be substantially used lawfully, its producer cannot be contributorily liable for copyright infringement.



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<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-100>

**Question 2.** Why did the district court err in *BMG Rts. Mgmt.* when it instructed the jury that it could impose liability for contributory infringement if it found “Cox knew or should have known of [the] infringing activity”?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=180#h5p-101>

Some things to consider when reading *Sony Music Ent.*:

1. In *BMG Rts. Mgmt.*, the case immediately preceding this one in the casebook, we saw that the district court had erred in instructing the jury as to the intent requirement for proving contributory infringement, with the Fourth Circuit holding that liability can be based on willful blindness but not on recklessness or negligence. The case went back to the jury, and ultimately its decision went before the Fourth Circuit again in the following decision.
2. Why does the Fourth Circuit affirm the jury’s finding of willful contributory infringement, but reverse the vicarious liability verdict?
3. Why did the Fourth Circuit conclude that Napster had a direct financial interest in its users’ exploitation of copyrighted music, but AOL did not?
4. According to the Fourth Circuit, under what circumstances can the sale of a product with both lawful and unlawful uses suggest an intent to cause infringement?

## *Sony Music Ent. v. Cox Commc'ns, Inc.,*

93 F.4th 222 (4th Cir. 2024)

RUSHING, Circuit Judge:

Defendant Cox Communications sells internet, telephone, and cable television service to 6 million homes and businesses across the United States. Plaintiffs—Sony Music Entertainment and numerous other record companies and music publishers—own some of the most popular copyrighted musical works of our time. Some users of Cox’s internet service infringed Plaintiffs’ copyrights by downloading or distributing songs over the internet without permission. Rather than sue those individuals, Plaintiffs sued Cox, seeking to hold it responsible for its customers’ copyright infringement.

This case proceeded to trial on two theories of secondary liability: vicarious and contributory copyright infringement. The jury found Cox liable for both willful contributory and vicarious infringement of 10,017 copyrighted works owned by Plaintiffs and awarded \$1 billion in statutory damages. Cox appealed.

We affirm the jury’s finding of willful contributory infringement. But we reverse the vicarious liability verdict and remand for a new trial on damages because Cox did not profit from its subscribers’ acts of infringement, a legal prerequisite for vicarious liability.

### I.

This lawsuit began when Sony and other owners of copyrighted musical works (collectively, Sony or Plaintiffs) sued Cox for infringement committed by subscribers to Cox’s internet service from 2013 to 2014. During the claim period, Cox provided internet service to residential and commercial subscribers, charging different flat fees for different download speeds according to a tiered pricing plan.

Plaintiffs are members of the Recording Industry Association of America (RIAA), which hired the anti-piracy company MarkMonitor to catch infringements of its members’ copyrights on peer-to-peer networks using file-sharing protocols like BitTorrent and others. When MarkMonitor discovered an internet user downloading or distributing a copyrighted music file, it notified the user’s internet service provider. Only the service provider can match an alleged infringer’s internet protocol address to its owner’s identity. When Cox received infringement notices from MarkMonitor, Cox’s automated system sent notices to the infringing subscribers. The notice Cox sent varied by how far along the subscriber was in Cox’s thirteen-strike policy, ranging from an email warning to a temporary suspension.<sup>2</sup>

MarkMonitor sent Cox 163,148 infringement notices during the claim period. Over that time, Cox terminated 32 subscribers for violation of its Acceptable Use Policy, which prohibits copyright infringement among other things. By comparison, it terminated over 600,000 subscribers for nonpayment over that same time. Frustrated with Cox’s lackluster response to the notices, Sony sued Cox for vicarious and contributory copyright infringement.

After discovery, Sony and Cox cross-moved for summary judgment. Two of the district court’s rulings at that stage are relevant for this appeal. First, the district court concluded that the infringement notices MarkMonitor sent to Cox proved Cox’s knowledge of infringement as a matter of law. That knowledge

established one element of contributory liability. Second, the district court denied Cox's motion to reduce the number of copyrighted works in suit.

The parties presented their case to the jury over the course of twelve days. Plaintiffs limited their case to Cox subscribers who received three or more infringement notices. In the end, the jury found Cox liable for vicarious and contributory infringement of all 10,017 copyrighted works alleged. The jury also found that Cox's infringement was willful, which increased the available maximum statutory damages to \$150,000 per work. See 17 U.S.C. § 504(c)(1)–(2). The jury awarded Sony \$99,830.29 per infringed work, for a total of \$1 billion in statutory damages.

## II.

We begin with Cox's contention that the district court erred in denying it judgment as a matter of law on Sony's vicarious infringement claim. A defendant may be held vicariously liable for a third party's copyright infringement if the defendant [1] profits directly from the infringement and [2] has a right and ability to supervise the direct infringer. Cox contests both elements on appeal. Because we conclude Sony failed, as a matter of law, to prove that Cox profits directly from its subscribers' copyright infringement, we do not reach the additional question of Cox's right and ability to supervise its subscribers.

Cox argues that it does not profit directly from its subscribers' infringement because "all subscribers pay Cox a flat monthly fee for their internet access package no matter what they do online." Whether a subscriber uses her internet access for lawful or unlawful purposes, Cox receives the same monthly fee, and a subscriber's decision to download or distribute a copyrighted song without permission does not benefit Cox. The district court rejected this argument, concluding that Sony had proven Cox's direct financial interest by showing that Cox repeatedly declined to terminate the accounts of infringing subscribers in order to continue collecting their monthly fees. To understand this issue, some legal background is necessary.

The landmark case on vicarious liability for infringing copyrighted musical recordings is *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304 (2d Cir. 1963). There a department store was held accountable for the infringing sale of "bootleg" records by a concessionaire operating in its stores. The store retained the ultimate right to supervise the concessionaire and its employees, demonstrating its control over the infringement. And the store received a percentage of every record sale, "whether 'bootleg' or legitimate," giving it "a most definite financial interest" in the infringing sales.

Courts have recognized, however, that a defendant may possess a financial interest in a third party's infringement of copyrighted music even absent a strict correlation between each act of infringement and an added penny of profits. For example, *Fonovisa* concerned the operator of a swap meet who allowed vendors to sell infringing records. The complaint alleged that the operator collected "admission fees, concession stand sales and parking fees"—but no sales commission—"from customers who want[ed] to buy the counterfeit recordings at bargain basement prices." These allegations sufficed to state a direct financial benefit to the swap meet operator, the court held, because "the sale of pirated recordings at the ... swap meet [was] a 'draw' for customers." The infringing sales "enhance[d] the attractiveness of the venue to potential customers," giving the swap meet operator a financial interest in the infringement sufficient to state a claim for vicarious liability.



Applying these principles to copyright infringement in cyberspace, courts and Congress agree that “ ‘receiving a one-time set-up fee and flat periodic payments for service’ ” from infringing and noninfringing users alike ordinarily “ ‘would not constitute receiving a financial benefit directly attributable to the infringing activity.’ ” *Ellison v. Robertson*, 357 F.3d 1072, 1079 (9th Cir. 2004) (quoting S. Rep. 105-190, at 44 (1998)). But “ ‘where the value of the service lies in providing access to infringing material,’ ” those flat fees may constitute a direct financial benefit. *Id.* (quoting S. Rep. 105-190, at 45).

For example, the file-sharing service Napster had a direct financial interest in its users’ exploitation of copyrighted music. An increasing volume of pirated music available for download drew more users to register with Napster, and its “future revenue [was] directly dependent upon increases in userbase.” *Napster*, 239 F.3d at 1023.

By contrast, America Online (AOL) was not vicariously liable for copyright infringement occurring over an online forum to which it provided its subscribers access. Although access to online forums encouraged overall subscription to AOL’s services, there was no direct financial benefit from infringement where no evidence indicated “that AOL customers either subscribed because of the available infringing material” or “canceled subscriptions” when the material was no longer available. *Ellison*, 357 F.3d at 1079. Without “evidence that AOL attracted or retained subscriptions because of the infringement or lost subscriptions because of [its] eventual obstruction of the infringement,” “no jury could reasonably conclude that AOL received a direct financial benefit from providing access to the infringing material.”

As these cases illustrate, the crux of the financial benefit inquiry is whether a causal relationship exists between the infringing activity and a financial benefit to the defendant. If copyright infringement draws customers to the defendant’s service or incentivizes them to pay more for their service, that financial benefit may be profit from infringement. See, e.g., *EMI Christian Music Grp., Inc. v. MP3tunes, LLC*, 844 F.3d 79, 99 (2d Cir. 2016). But in every case, the financial benefit to the defendant must flow directly from the third party’s acts of infringement to establish vicarious liability. See *Grokster*, 545 U.S. at 930 & n.9,

To prove vicarious liability, therefore, Sony had to show that Cox profited from its subscribers’ infringing download and distribution of Plaintiffs’ copyrighted songs. It did not.

The district court thought it was enough that Cox repeatedly declined to terminate infringing subscribers’ internet service in order to continue collecting their monthly fees. Evidence showed that, when deciding whether to terminate a subscriber for repeat infringement, Cox considered the subscriber’s monthly payments. To the district court, this demonstrated the requisite connection between the customers’ continued infringement and Cox’s financial gain.

We disagree. The continued payment of monthly fees for internet service, even by repeat infringers, was not a financial benefit flowing directly from the copyright infringement itself.<sup>3</sup> As Cox points out, subscribers paid a flat monthly fee for their internet access no matter what they did online. Indeed, Cox would receive the same monthly fees even if all of its subscribers stopped infringing. Cox’s financial interest in retaining subscriptions to its internet service did not give it a financial interest in its subscribers’ myriad online activities, whether acts of copyright infringement or any other unlawful acts. An internet service provider would necessarily lose money if it canceled subscriptions, but that demonstrates only that the service

provider profits directly from the sale of internet access. Vicarious liability, on the other hand, demands proof that the defendant profits directly from the acts of infringement for which it is being held accountable.

While Cox profited from the sale of internet service, Sony has not shown that Cox, in any sense, had a financial interest in its subscribers committing infringement. And it is the infringement itself that must in some fashion profit the defendant for vicarious liability to attach. Accordingly, under the correct legal standard, no reasonable jury could find that Cox received a direct financial benefit from its subscribers' infringement of Plaintiffs' copyrights. We therefore conclude that Cox is not vicariously liable for its subscribers' copyright infringement and reverse the district court's denial of Cox's motion for judgment as a matter of law.

### III.

We turn next to contributory infringement. Under this theory, one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another' is liable for the infringement, too. The district court resolved the question of Cox's knowledge on summary judgment, while the jury found material contribution at trial, so we address Cox's challenge to each element separately.

#### A.

Our Court has recently clarified the intent necessary to prove contributory infringement by an internet service provider based on its subscribers' direct infringement. In *BMG Rights Management v. Cox Communications*, we held that intent to cause infringement may be shown by willful blindness—which is not at issue in this appeal—or by knowledge that infringement was substantially certain to result from the sale of internet service to a customer. General knowledge of infringement occurring on the defendant's network is not enough; selling a product with both lawful and unlawful uses suggests an intent to cause infringement only if the seller knows of specific instances of infringement. Applying these principles to Cox in that case, we held that Cox could not be contributorily liable absent knowledge that infringement was substantially certain to result from Cox's continued provision of Internet access to particular subscribers.

As BMG suggests, in this scenario, knowledge that particular subscribers are substantially certain to infringe is a predictive question. We reasoned in BMG that knowledge of past infringement is relevant to proving this element. Here, Cox produced data purporting to show the effectiveness of each step of its thirteen-strike policy at reducing future infringement, which could also be relevant. And Sony highlights internal emails implying that Cox continued providing internet service to certain habitual infringers despite believing they would infringe again. A jury could consider this and other evidence to determine whether, when Cox continued providing internet service to customers receiving three or more infringement notices, it knew they were substantially certain to infringe Plaintiffs' copyrights by, for example, downloading another song or distributing a song they had previously downloaded.

#### B.

Moving to the material contribution element of contributory liability, Cox appeals the district court's denial of its renewed motion for judgment as a matter of law. The district court declined to disturb the jury's contributory liability verdict because sufficient evidence supported a finding that Cox materially contributed to its subscribers' direct infringement of Plaintiffs' copyrights. As the court explained, Cox's

internet service “was indispensable to each instance of peer-to-peer infringement on its network.” And, considering the evidence in the light most favorable to Plaintiffs, a reasonable jury could have found that Cox provided that service with actual knowledge of infringement occurring “on specific subscribers’ accounts, yet failed to address that infringement occurring on its network.

Cox makes two principal objections. The first rests on the contention that it cannot be liable for materially contributing to copyright infringement because the internet service it provides is capable of substantial lawful use and not designed to promote infringement. We rejected that argument in *BMG*: “In fact, providing a product with ‘substantial non-infringing uses’ can constitute a material contribution to copyright infringement.” 881 F.3d at 306.

Second and similarly, Cox claims its contribution must amount to culpable conduct equivalent to aiding and abetting the infringement, and that failing to prevent its subscribers’ infringement does not suffice. This argument ignores the evidence before the jury.

It is true that mere failure to take affirmative steps to prevent infringement does not establish contributory liability in the absence of other evidence of intent. *Grokster*, 545 U.S. at 939 n.12. But supplying a product with knowledge that the recipient will use it to infringe copyrights is exactly the sort of culpable conduct sufficient for contributory infringement. For example, in *BMG* we reasoned that leasing a VCR to a customer—innocent conduct by itself—can support contributory liability if the lessor knows the customer is substantially certain to use it for copyright infringement. In such a situation, providing the means to infringe is culpable pursuant to the common law rule that a person is presumed to intend the substantially certain results of his acts. This accords with principles of aiding and abetting liability in the criminal law. Lending a friend a hammer is innocent conduct; doing so with knowledge that the friend will use it to break into a credit union ATM supports a conviction for aiding and abetting bank larceny.

The evidence at trial, viewed in the light most favorable to Sony, showed more than mere failure to prevent infringement. The jury saw evidence that Cox knew of specific instances of repeat copyright infringement occurring on its network, that Cox traced those instances to specific users, and that Cox chose to continue providing monthly internet access to those users despite believing the online infringement would continue because it wanted to avoid losing revenue. Sony presented extensive evidence about Cox’s increasingly liberal policies and procedures for responding to reported infringement on its network, which Sony characterized as ensuring that infringement would recur. And the jury reasonably could have interpreted internal Cox emails and chats as displaying contempt for laws intended to curb online infringement. To be sure, Cox’s anti-infringement efforts and its claimed success at deterring repeat infringement are also in the record. But we do not weigh the evidence at this juncture. The evidence was sufficient to support a finding that Cox materially contributed to copyright infringement occurring on its network and that its conduct was culpable. Therefore we may not disturb the jury’s verdict finding Cox liable for contributory copyright infringement.

For the foregoing reasons, we reverse the district court’s order denying Cox judgment as a matter of law on Sony’s claim of vicarious copyright infringement. We affirm the district court’s orders denying Cox relief from the jury’s contributory infringement verdict.

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## Check Your Understanding – *Sony Music Ent.*

**Question 1.** In *Sony Music Ent.*, why did the Fourth Circuit reverse the jury’s vicarious liability verdict?



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**Question 2.** Why does the court in *Sony Music Ent.* conclude that Napster had a direct financial interest in its users’ infringement of copyrighted music, but AOL did not?



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**Question 3.** According to the *Sony Music Ent.* court, under what circumstances can the sale of a product with both lawful and unlawful uses suggest an intent to cause infringement?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

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### FOOTNOTES:

<sup>1</sup> Google’s activities do not meet the “inducement” test explained in *Grokster* because Google has not promoted the use of its search engine specifically to infringe copyrights. However, the Supreme Court in *Grokster* did not suggest that a court must find inducement in order to impose contributory liability under common law principles.

<sup>2</sup> Editor’s note: An explanation of Cox’s thirteen-strike policy appears later in this casebook in the DMCA safe harbors section, *BMG Rts. Mgmt. v. Cox Commc’ns.*

<sup>3</sup> Editor’s note: Not every court considering that question has reached the same conclusion. See *BMG Rts. Mgmt. (US) LLC v. Altice USA, Inc.*, 2023 WL 3436089, at \*5 (E.D. Tex. May 12, 2023) (finding that plaintiffs had sufficiently alleged direct financial benefit because ISP “[was] directly profiting from the retention of accounts which are used for music piracy” and subscribers were “drawn” to the ISP’s services “both because of lax policing of such piracy as well as faster internet speed for those willing to pay more”); *Warner Recs. Inc. v. Charter Commc’ns, Inc.*, 454 F. Supp. 3d 1069, 1084 (D. Colo. 2020) (finding that plaintiffs had

sufficiently alleged a direct financial interest based on, inter alia, claims that subscribers were “motivated” by advertisements promoting the high speed of song downloads, and ISP revenues increased as infringing customers purchased increased bandwidth to carry out their infringement).

# Chapter 11: DMCA Safe Harbors

The creation and widespread use of the Internet has created a huge potential for copyright infringement liability for internet service providers such as Google, as illustrated by the *Perfect 10* decisions excerpted in the indirect infringement section of this book. The following case, *Netcom*, was decided in the early days of the Internet by a district court judge sitting in San Jose California (the heart of Silicon Valley) who had a reputation for expertise in technology and intellectual property. *Netcom* is still widely cited and considered one of the seminal decisions of copyright law as it is applied in the context of the Internet. In particular, Judge Whyte's decision provides an influential discussion of the policy concerns that arise when the traditional doctrines of copyright law are applied with respect to activities that occur on the Internet.

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Some things to consider when reading *Netcom*:

1. The fundamental issue raised by this case is the extent to which a party that provides a platform for online filesharing can be held liable for copyright infringement that occurs as a consequence of actions of users of the platform. *Netcom* is one of the earliest decisions to address this issue. The policy concerns raised by Judge Whyte are clearly relevant for more contemporary filesharing platforms such as YouTube and BitTorrent.
2. The court's discussion of MAI and its holding regarding digital, transient copying of a copyrighted work.
3. The court's discussion of both direct and indirect theories of liability.
4. The court's discussion of copyright policy, particularly in the context of the Internet, which at that time was a newly emerging technology.
5. It is often said that copyright infringement is a matter of strict liability, but note that in this case, the court finds a requirement of volition or causation, at least when the alleged infringer has not actively taken steps to infringe, but has instead provided a platform for the infringing activities of others.
6. *Netcom*'s insight regarding volitional conduct, particularly in the context of "cyberspace," has been endorsed and adopted by appellate courts. See, e.g., *CoStar Grp., Inc. v. LoopNet, Inc.*, 373 F.3d 544, 551 (4th Cir. 2004) ("*Netcom* made a particularly rational interpretation of § 106 when it concluded that a person had to engage in volitional conduct—specifically, the act constituting infringement—to become a direct infringer. [S]uch a construction of the Act is especially important when it is applied to cyberspace."); *BWP Media USA Inc. v. Polyvore, Inc.*, 922 F.3d 42, 48 (2d Cir. 2019) ("Ten years ago in *Cablevision*, we adopted the volitional conduct requirement in this circuit as a prerequisite to establishing copyright infringement liability for service providers, holding that volitional conduct is an important element of direct liability. 536 F.3d at 131.").

## *Religious Tech. Center v. Netcom On-Line Comm.*

907 F.Supp. 1361 (N.D.Cal.1995)

WHYTE, District Judge.

This case concerns an issue of first impression regarding intellectual property rights in cyberspace. Specifically, this order addresses whether the operator of a computer bulletin board service (“BBS”), and the large Internet access provider that allows that BBS to reach the Internet, should be liable for copyright infringement committed by a subscriber of the BBS.

Plaintiffs Religious Technology Center (“RTC”) and Bridge Publications, Inc. (“BPI”) hold copyrights in the unpublished and published works of L. Ron Hubbard, the late founder of the Church of Scientology (“the Church”). Defendant Dennis Erlich (“Erlich”) is a former minister of Scientology turned vocal critic of the Church, whose pulpit is now the Usenet newsgroup alt.religion.scientology (“a.r.s.”), an on-line forum for discussion and criticism of Scientology. Plaintiffs maintain that Erlich infringed their copyrights when he posted portions of their works on a.r.s. Erlich gained his access to the Internet through defendant Thomas Klemesrud’s (“Klemesrud’s”) BBS “support.com.” Klemesrud is the operator of the BBS, which is run out of his home and has approximately 500 paying users. Klemesrud’s BBS is not directly linked to the Internet, but gains its connection through the facilities of defendant Netcom On-Line Communications, Inc. (“Netcom”), one of the largest providers of Internet access in the United States.

After failing to convince Erlich to stop his postings, plaintiffs contacted defendants Klemesrud and Netcom. Klemesrud responded to plaintiffs’ demands that Erlich be kept off his system by asking plaintiffs to prove that they owned the copyrights to the works posted by Erlich. However, plaintiffs refused Klemesrud’s request as unreasonable. Netcom similarly refused plaintiffs’ request that Erlich not be allowed to gain access to the Internet through its system. Netcom contended that it would be impossible to prescreen Erlich’s postings and that to kick Erlich off the Internet meant kicking off the hundreds of users of Klemesrud’s BBS. Consequently, plaintiffs named Klemesrud and Netcom in their suit against Erlich, although only on the copyright infringement claims.

For the reasons set forth below, the court grants in part and denies in part Netcom’s motion for summary judgment and Klemesrud’s motion for judgment on the pleadings and denies plaintiffs’ motion for a preliminary injunction.

### **I. NETCOM’S MOTION FOR SUMMARY JUDGMENT OF NONINFRINGEMENT**

#### **B. Copyright Infringement**

Plaintiffs argue that, although Netcom was not itself the source of any of the infringing materials on its system, it nonetheless should be liable for infringement, either directly, contributorily, or vicariously.

##### **1. Direct Infringement**

Infringement consists of the unauthorized exercise of one of the exclusive rights of the copyright holder

delineated in section 106. 17 U.S.C. § 501. Direct infringement does not require intent or any particular state of mind, although willfulness is relevant to the award of statutory damages. 17 U.S.C. § 504(c).

Many of the facts pertaining to this motion are undisputed. The court will address the relevant facts to determine whether a theory of direct infringement can be supported based on Netcom's alleged reproduction of plaintiffs' works. The court will look at one controlling Ninth Circuit decision addressing copying in the context of computers and two district court opinions addressing the liability of BBS operators for the infringing activities of subscribers. The court will additionally examine whether Netcom is liable for infringing plaintiffs' exclusive rights to publicly distribute and display their works.

#### **a. Undisputed Facts**

The parties do not dispute the basic processes that occur when Erlich posts his allegedly infringing messages to a.r.s. Erlich connects to Klemesrud's BBS using a telephone and a modem. Erlich then transmits his messages to Klemesrud's computer, where they are automatically briefly stored. According to a prearranged pattern established by Netcom's software, Erlich's initial act of posting a message to the Usenet results in the automatic copying of Erlich's message from Klemesrud's computer onto Netcom's computer and onto other computers on the Usenet. In order to ease transmission and for the convenience of Usenet users, Usenet servers maintain postings from newsgroups for a short period of time—eleven days for Netcom's system and three days for Klemesrud's system. Once on Netcom's computers, messages are available to Netcom's customers and Usenet neighbors, who may then download the messages to their own computers.

Unlike some other large on-line service providers, such as CompuServe, America Online, and Prodigy, Netcom does not create or control the content of the information available to its subscribers. It also does not monitor messages as they are posted. It has, however, suspended the accounts of subscribers who violated its terms and conditions, such as where they had commercial software in their posted files. Netcom admits that, although not currently configured to do this, it may be possible to reprogram its system to screen postings containing particular words or coming from particular individuals. Netcom, however, took no action after it was told by plaintiffs that Erlich had posted messages through Netcom's system that violated plaintiffs' copyrights, instead claiming that it could not shut out Erlich without shutting out all of the users of Klemesrud's BBS.

#### **b. Creation of Fixed Copies**

In the present case, there is no question ... that "copies" were created, as Erlich's act of sending a message to a.r.s. caused reproductions of portions of plaintiffs' works on both Klemesrud's and Netcom's storage devices.

#### **c. Is Netcom Directly Liable for Making the Copies?**

The mere fact that Netcom's system incidentally makes temporary copies of plaintiffs' works does not mean Netcom has caused the copying. The court believes that Netcom's act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it. Although some of the people using the machine may directly infringe copyrights, courts analyze the machine owner's liability under the rubric



of contributory infringement, not direct infringement. Plaintiffs' theory would create many separate acts of infringement and, carried to its natural extreme, would lead to unreasonable liability. It is not difficult to conclude that Erlich infringes by copying a protected work onto his computer and by posting a message to a newsgroup. However, plaintiffs' theory further implicates a Usenet server that carries Erlich's message to other servers regardless of whether that server acts without any human intervention beyond the initial setting up of the system. It would also result in liability for every single Usenet server in the worldwide link of computers transmitting Erlich's message to every other computer. These parties, who are liable under plaintiffs' theory, do no more than operate or implement a system that is essential if Usenet messages are to be widely distributed. There is no need to construe the Act to make all of these parties infringers. Although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant's system is merely used to create a copy by a third party.

## **2. Contributory Infringement**

Netcom is not free from liability just because it did not directly infringe plaintiffs' works; it may still be liable as a contributory infringer where the defendant, "with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another."

### **a. Knowledge of Infringing Activity**

The evidence reveals a question of fact as to whether Netcom knew or should have known that Erlich had infringed plaintiffs' copyrights following receipt of plaintiffs' letter. Because Netcom was arguably participating in Erlich's public distribution of plaintiffs' works, there is a genuine issue as to whether Netcom knew of any infringement by Erlich before it was too late to do anything about it. If plaintiffs can prove the knowledge element, Netcom will be liable for contributory infringement since its failure to simply cancel Erlich's infringing message and thereby stop an infringing copy from being distributed worldwide constitutes substantial participation in Erlich's public distribution of the message.

### **b. Substantial Participation**

Where a defendant has knowledge of the primary infringer's infringing activities, it will be liable if it "induces, causes or materially contributes to the infringing conduct of" the primary infringer. Such participation must be substantial.

Providing a service that allows for the automatic distribution of all Usenet postings, infringing and noninfringing, goes well beyond renting a premises to an infringer. It is more akin to the radio stations that were found liable for rebroadcasting an infringing broadcast. Netcom allows Erlich's infringing messages to remain on its system and be further distributed to other Usenet servers worldwide. It does not completely relinquish control over how its system is used, unlike a landlord. Thus, it is fair, assuming Netcom is able to take simple measures to prevent further damage to plaintiffs' copyrighted works, to hold Netcom liable for contributory infringement where Netcom has knowledge of Erlich's infringing postings yet continues to aid in the accomplishment of Erlich's purpose of publicly distributing the postings. Accordingly, plaintiffs do raise a genuine issue of material fact as to their theory of contributory infringement as to the postings made after Netcom was on notice of plaintiffs' infringement claim.

## **3. Vicarious Liability**

Even if plaintiffs cannot prove that Netcom is contributorily liable for its participation in the infringing activity, it may still seek to prove vicarious infringement based on Netcom's relationship to Erlich. A defendant is liable for vicarious liability for the actions of a primary infringer where the defendant (1) has the right and ability to control the infringer's acts and (2) receives a direct financial benefit from the infringement. Unlike contributory infringement, knowledge is not an element of vicarious liability.

#### **a. Right and Ability To Control**

The first element of vicarious liability will be met if plaintiffs can show that Netcom has the right and ability to supervise the conduct of its subscribers. Netcom argues that it does not have the right to control its users' postings before they occur. Plaintiffs dispute this and argue that Netcom's terms and conditions, to which its subscribers must agree, specify that Netcom reserves the right to take remedial action against subscribers.

Netcom argues that it could not possibly screen messages before they are posted given the speed and volume of the data that goes through its system. Netcom further argues that it has never exercised control over the content of its users' postings. Plaintiffs' expert opines otherwise, stating that with an easy software modification Netcom could identify postings that contain particular words or come from particular individuals. Plaintiffs further dispute Netcom's claim that it could not limit Erlich's access to Usenet without kicking off all 500 subscribers of Klemesrud's BBS. As evidence that Netcom has in fact exercised its ability to police its users' conduct, plaintiffs cite evidence that Netcom has acted to suspend subscribers' accounts on over one thousand occasions. Further evidence shows that Netcom can delete specific postings. Whether such sanctions occurred before or after the abusive conduct is not material to whether Netcom can exercise control. The court thus finds that plaintiffs have raised a genuine issue of fact as to whether Netcom has the right and ability to exercise control over the activities of its subscribers, and of Erlich in particular.

#### **b. Direct Financial Benefit**

Plaintiffs must further prove that Netcom receives a direct financial benefit from the infringing activities of its users. For example, a landlord who has the right and ability to supervise the tenant's activities is vicariously liable for the infringements of the tenant where the rental amount is proportional to the proceeds of the tenant's sales. However, where a defendant rents space or services on a fixed rental fee that does not depend on the nature of the activity of the lessee, courts usually find no vicarious liability because there is no direct financial benefit from the infringement.

Plaintiffs cannot provide any evidence of a direct financial benefit received by Netcom from Erlich's infringing postings. Netcom receives a fixed fee. There is no evidence that infringement by Erlich, or any other user of Netcom's services, in any way enhances the value of Netcom's services to subscribers or attracts new subscribers.

Because plaintiffs have failed to raise a question of fact on this vital element, their claim of vicarious liability fails.

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## Check Your Understanding – *Netcom*

**Question 1.** Why does the *Netcom* court believe that *Netcom*’s act of designing or implementing a system that automatically and uniformly creates temporary copies of all data sent through it is not unlike that of the owner of a copying machine who lets the public make copies with it?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-105>

**Question 2.** True or false: According to *Netcom*, although copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a third party.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-106>

### The Digital Millennium Copyright Act of 1998 (DMCA)

*Netcom* illustrates the potential for copyright liability that arises when a party provides an online platform for users to post content. Today, YouTube is one of the most prominent platforms of this type. Similar to the situation in *Netcom*, YouTube provides an online platform which permits its users to post content that can be viewed by other users. Inevitably, some users will post copyrighted materials without the authorization of copyright owners, thereby infringing one or more of the copyright owner’s rights, e.g., the reproduction, derivative work, public performance, public display, and/or distribution rights. Can (and should) YouTube be held liable for copyright infringement? To what extent does YouTube have a duty to identify and take down or block the posting of infringing content?

Consider the potential for liability for indirect infringement by a company like YouTube, under the theories of both contributory and vicarious infringement. Recall that a party can be held liable for contributory infringement if it (1) has knowledge of the infringement of another and (2) materially contributes to that infringement. There is no question that massive copyright infringement has occurred on YouTube, and continues to this day. One could argue that YouTube has sufficient knowledge of the infringement, and that its platform materially contributes to the infringement, which would potentially expose YouTube to huge liability for copyright infringement. Similarly, one could argue that YouTube’s hosting of its platform constitutes vicarious infringement, if YouTube has the right and ability to control the use of its platform, and the company profits from infringement that occurs.

Congress enacted the Digital Millennium Copyright Act of 1998 (DMCA) to address a number of concerns arising out of the digitization of copyrighted content, and in this regard one of the most important things the DMCA did was to establish several “safe harbors” from copyright infringement liability for Internet service providers (“ISPs”) like YouTube. To qualify for the safe harbors, ISPs must comply with certain requirements, which include a requirement that the ISP provide a process by which copyright owners can notify the ISP when infringing content appears on its site, and that upon receiving such notice, the ISP must expeditiously “take down” the material.

An ISP that qualifies for the safe harbor cannot be held liable for infringement that occurs as the result of the actions of its users. But note that an ISP that fails to qualify for the DMCA safe harbors is not necessarily liable for copyright infringement; a copyright owner plaintiff would still have to establish liability under some theory of direct or indirect infringement.

The following cases explore some contours of the DMCA safe harbor provisions.

Some things to consider when reading *Capitol Recs.*:

1. The background and summary of DMCA safe harbor provisions of § 512(c), which are available for qualifying Internet service providers for “infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.”
2. The court’s discussion of the policy rationales underlying the DMCA safe harbors.
3. The meaning of “red flag knowledge,” why it is relevant, and why the plaintiffs fail to prove it. Note the court’s discussion of *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19 (2d Cir. 2012) and its holding with respect to the difference between actual and red flag knowledge.
4. The court’s discussion of burdens of proof in the context of DMCA safe harbors.
5. The relationship between the “willful blindness doctrine” and § 512(m). What did *Viacom* have to say about this?

### *Capitol Recs., LLC v. Vimeo, LLC*

826 F.3d 78 (2d Cir. 2016)

Leval, Circuit Judge:

This is an interlocutory appeal on certified questions from rulings of the United States District Court for the Southern District of New York interpreting the Digital Millennium Copyright Act of 1998 (“DMCA”). The DMCA establishes a safe harbor in § 512(c), which gives qualifying Internet service providers protection from liability for copyright infringement when their users upload infringing material on the service provider’s site and the service provider is unaware of the infringement. 17 U.S.C. § 512(c). Defendant Vimeo, LLC is an Internet service provider, which operates a website on which members can post videos of their own creation, which are then accessible to the public at large. Plaintiffs are record companies and music

publishing companies, which own copyrights in sound recordings of musical performances. Their complaint alleges that Vimeo is liable to Plaintiffs for copyright infringement by reason of 199 videos posted on the Vimeo website, which contained allegedly infringing musical recordings for which Plaintiffs owned the rights.

The district court ruled on motions for partial summary judgment addressed to whether Vimeo was entitled to the DMCA's safe harbor protections. As for videos that allegedly infringed pre-1972 sound recordings, the court ruled in Plaintiffs' favor on the theory that § 512(c)'s safe harbor absolves a service provider only from copyright liability based on the *federal* copyright statute, which does not apply to pre-1972 sound recordings, which are protected only by *state* copyright laws.<sup>2</sup> With respect to post-1972 sound recordings (which all agree are protected by the DMCA's safe harbor when its conditions are met), the district court granted summary judgment to Vimeo as to 153 videos, mostly on the basis that Plaintiffs lacked evidence that Vimeo's employees had viewed them. The court rejected Plaintiffs' arguments that knowledge should be imputed to Vimeo by reason of its alleged general policy of willful blindness to infringement of sound recordings. And as for the remaining challenged videos that incorporated post-1972 sound recordings, the court denied summary judgment to either side, concluding that there was a question of material fact whether Vimeo possessed so-called "red flag" knowledge of circumstances that made infringement apparent, which would make Vimeo ineligible for the protection of the safe harbor under the terms of § 512(c). This interlocutory appeal focuses on three issues: (i) whether the safe harbor of § 512(c) applies to pre-1972 sound recordings; (ii) whether evidence of some viewing by Vimeo employees of videos that played all or virtually all of "recognizable" copyrighted songs was sufficient to satisfy the standard of red flag knowledge, which would make Vimeo ineligible for the DMCA safe harbor; and (iii) whether Plaintiffs have shown that Vimeo had a general policy of willful blindness to infringement of sound recordings, which would justify imputing to Vimeo knowledge of the specific infringements.

## **BACKGROUND**

### **I. The DMCA**

The DMCA was enacted in 1998 to implement the World Intellectual Property Organization Copyright Treaty and to update domestic copyright for the digital age. According to its legislative history, Title II, the Online Copyright Infringement Liability Limitation Act was designed to clarify the liability faced by service providers who transmit potentially infringing material over their networks and in the process to ensure that the efficiency of the Internet will continue to improve and that the variety and quality of services on the Internet will expand. The Senate Report expressed the view that without clarification of their liability, service providers may hesitate to make the necessary investment in the expansion of the speed and capacity of the Internet. To that end, the DMCA established four safe harbors, codified at 17 U.S.C. § 512, which protect qualifying Internet service providers from liability for certain claims of copyright infringement. This case focuses on the safe harbor provided by § 512(c), which is supplemented by protections provided in § 512(m).

These portions of the statute undertake, through complex provisions, to establish a compromise, which, on the one hand, augments the protections available to copyright owners, and, on the other, insulates service providers from liability for infringements of which they are unaware, contained in material posted to their sites by users, so as to make it commercially feasible for them to provide valuable Internet services to the public.

The Act augments the rights of copyright owners by establishing a notice-and-takedown regime. The notice-and-takedown regime requires a service provider, to preserve its eligibility for the safe harbor, to “expeditiously ... remove ... material that is claimed to be infringing,” or disable access to it, whenever the service provider (1) receives a notice of infringing material on the service provider’s site or (2) otherwise becomes aware of the infringement or of circumstances making the infringement apparent. § 512(c)(1)(C), (A)(iii). The provisions favoring Internet service providers, first, immunize those that qualify for the statute’s benefits from liability for copyright infringements posted by users on the providers’ websites if the service providers are unaware of the infringements, and, second, expressly relieve them of any obligation to monitor the postings of users to detect infringements as a condition of qualifying for the safe harbor. Service providers, however, forfeit entitlement to the safe harbor if they fail to expeditiously remove the infringing material upon receipt of notification of the infringement or upon otherwise becoming aware of it.

The terms summarized above are set forth in the following statutory provisions:

(c)(1) In general.—A service provider shall not be liable for monetary relief, or [with certain exceptions] for injunctive or other equitable relief, for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—

(A)

(i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or

(iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material;

(B) does not receive a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity; and

(C) upon notification of claimed infringement as described in paragraph (3), responds expeditiously to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.

§ 512(c)(1)(A)–(C).

(m) Protection of privacy.—Nothing in this section shall be construed to condition the applicability of [the safe harbor of § 512(c)] on—

(1) a service provider monitoring its service or affirmatively seeking facts indicating infringing activity, [with exceptions not relevant to this inquiry].

§ 512(m)(1).

## II. Vimeo's Website

Vimeo has had great success as a site for the storage and exhibition of videos. Its Website hosts a wide array of home videos, documentaries, animation, and independent films. Founded in 2005, as of 2012 it hosted more than 31 million videos and had 12.3 million registered users in 49 countries. Approximately 43,000 new videos are uploaded to Vimeo each day. Users post videos onto the website without the intervention or active involvement of Vimeo staff, and Vimeo staff do not watch or prescreen videos before they are made available on the website. When a video is uploaded, it is automatically converted to Vimeo's format and stored on Vimeo's servers. Users can view the videos stored on Vimeo servers through a "streaming" process by visiting the website, and in many instances can download them.

All Vimeo users must accept its Terms of Service. These require, *inter alia*, that: users upload (1) only videos that they have created or participated in creating, and (2) only videos for which they possess all necessary rights and that do not infringe on any third party rights. Vimeo's "Community Guidelines" also provide content restrictions and information about its copyright policy. Every time a user uploads a video, the Website displays three rules: (1) "I will upload videos I created myself," (2) "I will not upload videos intended for commercial use," and (3) "I understand that certain types of content are not permitted on Vimeo." Nonetheless, users have the technical ability to upload videos that do not comply with the rules.

Vimeo employs a "Community Team" of 16 employees to curate content. These employees identify some videos with a "like" sign, occasionally prepare commentary on a video, offer technical assistance to users, participate in forum discussions, and at times inspect videos suspected of violating Vimeo's policies. So far as we are aware, the record does not indicate that the videos as to which the district court denied summary judgment were inspected by the Community Team for the purpose of detecting infringement.

Vimeo uses multiple computer programs ("Mod Tools") that assist its Community Team in locating and removing videos that may contain content that violates the Terms of Service. When videos and/or users are identified by one of these tools, Vimeo staff review them individually. Vimeo also enables users to "flag" videos that they believe violate the Terms of Service. Community Moderators evaluate the flagged content and decide whether or not to remove it. The flagging interface also explains how to submit a DMCA claim.

Between October 2008 and November 2010, Vimeo deleted at least 4,000 videos in response to takedown notices by copyright owners. On the three identified occasions in which Plaintiffs had sent Vimeo takedown notices, the district court found that Vimeo had responded "expeditious[ly]." Plaintiffs did not send takedown notices regarding the videos involved in this suit.

While it appears that Vimeo followed a practice of screening the visual content of posted videos for infringement of films, it did not screen the audio portions for infringement of sound recordings. Plaintiffs contend that this fact, together with statements made by Vimeo employees (found in emails), show indifference and willful blindness to infringement of recorded music, and that Vimeo has furthermore actively encouraged users to post infringing videos. Plaintiffs' evidence of such statements by Vimeo employees included the following:

- Dalas Verdugo, a "Community Director" at Vimeo, responded to a user's question that he "see[s] all the time at vime[o] videos, (for example Lip-dub) music being used that is copyrig[ht]ed, is there any

problem with this?” by telling the user “[w]e allow it, however, if the copyright holder sent us a legal takedown notice, we would have to comply.”

- Blake Whitman, a member of Vimeo’s Community Team, responded to a question regarding Vimeo’s “policy with copyrighted music used as audio for original video content” by telling the user, “[d]on’t ask, don’t tell ;).”
- On another occasion, Whitman responded to a user who asked about using a Radiohead song in a posted video by writing, “We can’t officially tell you that using copyright music is okay. But ....”
- Andrea Allen, a member of Vimeo’s Community Team, received a message from a user providing a link to a video and stating, “I have noticed several people using copyrighted music on Vimeo. What do you do about this?” Allen forwarded the e-mail internally with the comment “[i]gnoring, but sharing.”
- In a response to an email asking whether a user would have copyright “issues” with adding the copyrighted song “Don’t Worry, Be Happy” by Bobby McFerrin as the “soundtrack” to a home video, Allen responded: “The Official answer I must give you is: While we cannot opine specifically on the situation you are referring to, adding a third party’s copyrighted content to a video generally (but not always) constitutes copyright infringement under applicable laws ... Off the record answer ... Go ahead and post it ....”
- In an e-mail sent to Whitman and Verdugo (and also to all@vimeo.com), Andrew Pile, the Vice President of Product and Development at Vimeo, wrote: “Who wants to start the felons group, where we just film shitty covers of these [Plaintiff EMI] songs and write ‘FUCK EMI’ at the end?”

## DISCUSSION

### I. Pre-1972 Recordings

The first question we consider is whether the district court erred in granting partial summary judgment to Plaintiffs, rejecting the availability of the DMCA’s safe harbor for infringement of sound recordings fixed prior to February 15, 1972.

*[Editor’s note: The court concluded that the safe harbor established by § 512(c) protects a qualifying service provider from liability for infringement of copyright under state law, and therefore vacated the district court’s grant of summary judgment to Plaintiffs as to the availability of the DMCA safe harbor to Vimeo in relation to liability for infringement of pre-1972 sound recordings.]*

### II. Red Flag Knowledge of Infringement

The second certified question is “Whether, under *Viacom Int’l, Inc. v. YouTube, Inc.*,<sup>3</sup> a service provider’s viewing of a user-generated video containing all or virtually all of a recognizable, copyrighted song may establish ‘facts and circumstances’ giving rise to ‘red flag’ knowledge of infringement” within the meaning of § 512(c)(1)(A)(ii). We consider this question in relation to the district court’s denial of Vimeo’s motion for summary judgment on a number of videos that conform to the facts specified in the district court’s question. The district court’s formulation of the question in connection with its ruling suggests that the court based its denial on the presence of the facts specified in the question. We conclude that Plaintiffs’ establishment of



those facts is insufficient to prove red flag knowledge. We therefore vacate the court's order denying Vimeo summary judgment as to red flag knowledge with respect to those videos.

Our court explained in *Viacom* that, in order to be disqualified from the benefits of the safe harbor by reason of red flag knowledge under § 512(c)(1)(A)(ii), the service provider must have actually known facts that would make the specific infringement claimed objectively obvious to a reasonable person.

The difference between actual and red flag knowledge is ... not between specific and generalized knowledge, but instead between a subjective and an objective standard. In other words, the actual knowledge provision turns on whether the provider actually or 'subjectively' knew of specific infringement, while the red flag provision turns on whether the provider was subjectively aware of facts that would have made the specific infringement 'objectively' obvious to a reasonable person.

*Viacom*, 676 F.3d at 31.

The hypothetical "reasonable person" to whom infringement must be obvious is an ordinary person—not endowed with specialized knowledge or expertise concerning music or the laws of copyright. Furthermore, as noted above, § 512(m) makes clear that the service provider's personnel are under no duty to "affirmatively seek[ ]" indications of infringement. The mere fact that an employee of the service provider has viewed a video posted by a user (absent specific information regarding how much of the video the employee saw or the reason for which it was viewed), and that the video contains all or nearly all of a copyrighted song that is "recognizable," would be insufficient for many reasons to make infringement obvious to an ordinary reasonable person, who is not an expert in music or the law of copyright. Because the district court's denial of Vimeo's motion for summary judgment and concomitant certification of this question suggest that the district court believed that the evidence described in the question, without more, could render the service provider ineligible for the safe harbor, and relied on this proposition to deny summary judgment in every instance in which there was evidence that an employee of Vimeo had seen at least a portion of a video that contained substantially all of a "recognizable" copyrighted song, we vacate the district court's ruling on this question and remand for reconsideration in light of our further discussion of the standard for red flag knowledge.

A significant aspect of our ruling relates to the burdens of proof on the question of the defendant's entitlement to the safe harbor—particularly with respect to the issue of red flag knowledge. The issue is potentially confusing because of the large numbers of factual questions that can arise in connection with a claim of the safe harbor. A service provider's entitlement to the safe harbor is properly seen as an affirmative defense, and therefore must be raised by the defendant. The defendant undoubtedly bears the burden of raising entitlement to the safe harbor and of demonstrating that it has the status of service provider, as defined, and has taken the steps necessary for eligibility. On the other hand, on the question whether the service provider should be disqualified based on the copyright owner's accusations of misconduct—i.e., by reason of the service provider's failure to act as the statute requires after receiving the copyright owner's notification or otherwise acquiring actual or red flag knowledge—the burden of proof more appropriately shifts to the plaintiff. The service provider cannot reasonably be expected to prove broad negatives, providing affidavits of every person who was in its employ during the time the video was on its site, attesting that they did not know of the infringement and did not know of the innumerable facts that might make infringement obvious. And to read the statute as requiring a trial whenever the plaintiff contests

the credibility of such attestations would largely destroy the benefit of the safe harbor Congress intended to create.

The Nimmer copyright treatise, noting Congress's failure to prescribe a roadmap, and observing that "courts [must] muddle through," furnishes valuable guidance on the shifting allocation of burdens of proof as to a service provider's entitlement to the protection of the safe harbor. See MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12B.04[A][1][d], n.145 (2015). According to Nimmer, the service provider initially establishes entitlement to the safe harbor by showing that it meets the statutory definition of an eligible service provider (on whose website the allegedly infringing material was placed by a user), and that it has taken the general precautionary steps against infringement that are specified in the statute. The service provider could nonetheless be denied the safe harbor if the plaintiff-rightsholder showed that the service provider had actual knowledge, or red flag knowledge, of the infringement. The burden of proof with respect to actual or red flag knowledge would be on the plaintiff.

Acknowledging that the burden lies on the defendant to establish the affirmative defense, Nimmer explains,

It would seem that defendant may do so [establish entitlement to the safe harbor] by demonstrating that it qualifies as a service provider under the statutory definition, which has established a repeat infringer policy and follows the requisite technical measures. *In terms of mental state, the burden would then appear to shift back to plaintiff. To disqualify defendant from the safe harbor, the copyright claimant must show defendant's actual knowledge or a 'red flag' waving in its face.* But defendant can still qualify for the safe harbor if, after gaining the requisite mental state, it acted expeditiously to disable access to the infringing content. As to that last matter [expeditious take-down], the burden would seem to rest on defendant.

We agree with Nimmer's proposed allocation of shifting burdens of proof. Proper allocation of the burden of proof will necessarily have an important bearing on determining entitlements to summary judgment. Following Nimmer's cogent analysis, it appears that a defendant would, in the first instance, show entitlement to the safe harbor defense by demonstrating its status as a service provider that stores users' material on its system, that the allegedly infringing matter was placed on its system by a user, and that it has performed precautionary, protective tasks required by § 512 as conditions of eligibility, including that it adopted and reasonably implemented a policy designed to exclude users who repeatedly infringe, that it designated an agent for receipt of notices of infringement, and that it accommodates standard technical measures used by copyright owners to detect infringements.

On the issue of disqualifying knowledge, however, the burden falls on the copyright owner to demonstrate that the service provider acquired knowledge of the infringement, or of facts and circumstances from which infringing activity was obvious, and failed to promptly take down the infringing matter, thus forfeiting its right to the safe harbor. The plaintiff is, of course, entitled to take discovery of the service provider to enable it to make this showing.

A copyright owner's mere showing that a video posted by a user on the service provider's site includes substantially all of a recording of recognizable copyrighted music, and that an employee of the service provider saw at least some part of the user's material, is insufficient to sustain the copyright owner's burden

of proving that the service provider had either actual or red flag knowledge of the infringement. That is so for many reasons.

First, the employee's viewing might have been brief. The fact that an employee viewed enough of a video to post a brief comment, add it to a channel (such as kitten videos) or hit the "like" button, would not show that she had ascertained that its audio track contains all or virtually all of a piece of music.

Second, the insufficiency of some viewing by a service provider's employee to prove the viewer's awareness that a video contains all or virtually all of a song is all the more true in contemplation of the many different business purposes for which the employee might have viewed the video. The purpose of the viewing might include application of technical elements of computer expertise, classification by subject matter, sampling to detect inappropriate obscenity or bigotry, and innumerable other objectives having nothing to do with recognition of infringing music in the soundtrack. Furthermore, the fact that music is "recognizable" (which, in its dictionary definition of "capable of being recognized" would seem to apply to all music that is original and thus distinguishable from other music), or even *famous* (which is perhaps what the district court meant by "recognizable"), is insufficient to demonstrate that the music was in fact recognized by a hypothetical ordinary individual who has no specialized knowledge of the field of music. Some ordinary people know little or nothing of music. Lovers of one style or category of music may have no familiarity with other categories. For example, 60-year-olds, 40-year-olds, and 20-year-olds, even those who are music lovers, may know and love entirely different bodies of music, so that music intimately familiar to some may be entirely unfamiliar to others.

Furthermore, employees of service providers cannot be assumed to have expertise in the laws of copyright. Even assuming awareness that a user posting contains copyrighted music, the service provider's employee cannot be expected to know how to distinguish, for example, between infringements and parodies that may qualify as fair use. Nor can every employee of a service provider be automatically expected to know how likely or unlikely it may be that the user who posted the material had authorization to use the copyrighted music. Even an employee who was a copyright expert cannot be expected to know when use of a copyrighted song has been licensed. Additionally, the service provider is under no legal obligation to have its employees investigate to determine the answers to these questions.

It is of course entirely possible that an employee of the service provider who viewed a video did have expertise or knowledge with respect to the market for music and the laws of copyright. The employee may well have known that the work was infringing, or known facts that made this obvious. The copyright owner is entitled to discovery in order to obtain the specific evidence it needs to sustain its burden of showing that the service provider did in fact know of the infringement or of facts that made infringement obvious. But the mere fact that a video contains all or substantially all of a piece of recognizable, or even famous, copyrighted music and was to some extent viewed (or even viewed in its entirety) by some employee of a service provider would be insufficient (without more) to sustain the copyright owner's burden of showing red flag knowledge.

In sum, a showing by plaintiffs of no more than that some employee of Vimeo had some contact with a user-posted video that played all, or nearly all, of a recognizable song is not sufficient to satisfy plaintiffs' burden of proof that Vimeo forfeited the safe harbor by reason of red flag knowledge with respect to that video. As it appears that the district court employed that inappropriate standard as the basis for its denial of Vimeo's

motion for summary judgment on numerous videos conforming to that description, we vacate those rulings and remand for further consideration. Vimeo is entitled to summary judgment on those videos as to the red flag knowledge issue, unless plaintiffs can point to evidence sufficient to carry their burden of proving that Vimeo personnel either knew the video was infringing or knew facts making that conclusion obvious to an ordinary person who had no specialized knowledge of music or the laws of copyright.

### III. Willful Blindness

Our final issue on this appeal involves Plaintiffs' contention that the district court, in rejecting their claim of willful blindness, misapplied our teachings in *Viacom*, which recognized that "the willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA." We disagree with Plaintiffs' argument and see no reason to disturb the district court's ruling.

Plaintiffs essentially make three arguments. First, based on evidence that Vimeo monitored videos for infringement of *visual* content but not for infringement of *audio* content, they argue that they have demonstrated willful blindness to infringement of music, which justifies liability under *Viacom*. Their second argument is that Vimeo's awareness of facts suggesting a likelihood of infringement gave rise to a duty to investigate further, and that Vimeo's failure to do so showed willful blindness that justifies liability. Finally, they argue that, having encouraged users to post infringing matter, Vimeo could not then close its eyes to the resulting infringements without liability.

The first two arguments are easily disposed of. As we made clear in *Viacom*, § 512(m) relieves the service provider of obligation to monitor for infringements posted by users on its website. We see no reason why Vimeo's voluntary undertaking to monitor videos for infringement of visual material should deprive it of the statutory privilege not to monitor for infringement of music. Plaintiffs' argument is refuted by § 512(m).

Their second argument, that awareness of facts suggesting a likelihood of infringement gave rise to a duty to investigate further, does not fare better. Section 512(c) specifies the consequences of a service provider's knowledge of facts that might show infringement. If the service provider knows of the infringement, or learns of facts and circumstances that make infringement obvious, it must act expeditiously to take down the infringing matter, or lose the protection of the safe harbor. But we can see no reason to construe the statute as vitiating the protection of § 512(m) and requiring investigation merely because the service provider learns facts raising a suspicion of infringement (as opposed to facts making infringement obvious). Protecting service providers from the expense of monitoring was an important part of the compromise embodied in the safe harbor. Congress's objective was to serve the public interest by encouraging Internet service providers to make expensive investments in the expansion of the speed and capacity of the Internet by relieving them of burdensome expenses and liabilities to copyright owners, while granting to the latter compensating protections in the service providers' takedown obligations. If service providers were compelled constantly to take stock of all information their employees may have acquired that might suggest the presence of infringements in user postings, and to undertake monitoring investigations whenever some level of suspicion was surpassed, these obligations would largely undo the value of § 512(m). We see no merit in this argument.

Plaintiffs' third argument may fare better in theory, but is not supported by the facts of this case, at least

as we understand them. In *Viacom*, we made clear that actual and red flag knowledge under the DMCA ordinarily must relate to “specific infringing material,” and that, because willful blindness is a proxy for knowledge, it too must relate to specific infringements. Plaintiffs argue, however, that Vimeo, in order to expand its business, actively encouraged users to post videos containing infringing material. They argue that, notwithstanding the formulation in *Viacom*, a service provider cannot adopt a general policy of urging or encouraging users to post infringing material and then escape liability by hiding behind a disingenuous claim of ignorance of the users’ infringements.

We need not decide whether Plaintiffs’ proposed gloss on *Viacom* is correct as a matter of law. Assuming that it is, Plaintiffs still cannot rely on such a theory in this instance. The evidence cited to us by Plaintiffs, consisting of a handful of sporadic instances (amongst the millions of posted videos) in which Vimeo employees inappropriately encouraged users to post videos that infringed music cannot support a finding of the sort of generalized encouragement of infringement supposed by their legal theory. It therefore cannot suffice to justify stripping Vimeo completely of the protection of § 512(m). Moreover, because that evidence was not shown to relate to any of the videos at issue in this suit, it is insufficient to justify a finding of red flag knowledge, under the principle of *Viacom*, as to those specific videos. Thus, notwithstanding a few unrelated instances in which its employees improperly encouraged specific infringements, Vimeo can still assert the protection of § 512(m) for the present suit, and claim the benefit of the safe harbor, in the absence of a showing by Plaintiffs of facts sufficient to demonstrate that Vimeo, having actual or red flag knowledge of infringement in the videos that are the subject of Plaintiffs’ suit, failed to promptly take them down.

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## Check Your Understanding – *Capitol Recs.*

**Question 1.** Under what circumstances does the §512(c) safe harbor apply?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-107>

**Question 2.** True or false: If the court had found that Vimeo did not qualify for the §512(c) safe harbor, Vimeo would have been liable for copyright infringement.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-108>

**Question 3.** According to the Vimeo court, what is required in order to establish “red flag knowledge” under §512(c)(1)(A)(ii)?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-109>

Some things to consider when reading *EMI Christian Music*:

1. This is another decision pertaining to the § 512(c) safe harbor for “infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.”
2. The court’s treatment of the requirement that internet service providers “implement” a “repeat infringer” policy.
3. The discussion of “red flag knowledge” and “willful blindness.”

### *EMI Christian Music Grp., Inc. v. MP3tunes, LLC*

844 F.3d 79 (2d Cir. 2016)

LOHIER, Circuit Judge:

In this appeal we principally consider the requirement of the Digital Millennium Copyright Act (“DMCA”) safe harbor that an internet service provider “adopt[ ] and reasonably implement[ ]” a policy to terminate “repeat infringers.” 17 U.S.C. § 512. Plaintiffs-appellees-cross-appellants are all record companies and music publishers. They filed this copyright infringement lawsuit against MP3tunes, LLC and its founder and Chief Executive Officer Michael Robertson, alleging that two internet music services created by MP3tunes infringed their copyrights in thousands of sound recordings and musical compositions. The two services are MP3tunes.com, which primarily operated as a locker service for storing digital music, and sideload.com, which allowed users to search for free music on the internet.

On summary judgment, the United States District Court for the Southern District of New York granted partial summary judgment to the defendants, holding that MP3tunes had a reasonably implemented repeat infringer policy under § 512. A jury ultimately returned a verdict in favor of the plaintiffs, but the District Court partially overturned the verdict.

For reasons we explain below: (1) we vacate the District Court’s grant of partial summary judgment to the defendants based on its conclusion that MP3tunes qualified for safe harbor protection under the DMCA because the District Court applied too narrow a definition of “repeat infringer”; (2) we reverse the District Court’s grant of judgment as a matter of law to the defendants on claims that MP3tunes permitted

infringement of plaintiffs' copyrights in pre-2007 MP3s and Beatles songs because there was sufficient evidence to allow a reasonable jury to conclude that MP3tunes had red-flag knowledge of, or was willfully blind to, infringing activity involving those categories of protected material; (3) we remand for further proceedings related to claims arising out of the District Court's grant of partial summary judgment; and (4) we affirm the judgment in all other respects.

## **BACKGROUND**

### **I. MP3tunes.com and Sideload.com**

Robertson founded MP3tunes in 2005. It is undisputed that, by then, Robertson was familiar with both the online music industry and copyright litigation, having previously run the music site MP3.com, against which a copyright infringement judgment was entered in 2000. See *UMG Recordings, Inc. v. MP3.com, Inc.*, 92 F.Supp.2d 349, 350 (S.D.N.Y. 2000). While recruiting for MP3tunes several years later, Robertson emphasized, "[T]his will be VERY big news. Major labels selling MP3s. MP3.com guy back to rejuvenate MP3 business. Largest copyright infringer of all time back at it again. Lots of juicy press angles."

MP3tunes.com was MP3tunes's first project. Initially, customers could visit MP3Tunes.com and purchase MP3 versions of music created by musicians who were not associated with major record labels. In 2005 MP3tunes.com added a "locker storage" service, which charged users a fee to store music on the MP3tunes server. A user who uploaded songs to her "locker" (through LockerSync, a free plugin on the site) could play the music through other internet-enabled devices.

MP3tunes owned and operated a second website, sideload.com, that allowed users to search for free music on the internet. Sideload.com offered a free plug-in to enable users to "sideload" (or, to use Robertson's definition of "sideload," enabled users to "download[ ]" directly to their MP3tunes lockers) free songs that they found on the internet. Songs sideloaded into users' lockers were then added to sideload.com's index of searchable songs. This meant that the more songs users sideloaded from the internet, the more free music became available for sideload.com users to stream, download, or sideload into their own lockers. MP3tunes's executives, including Robertson, used their own accounts with MP3tunes to store sideloaded songs.

Users of MP3tunes.com could store a certain amount of music through the service for free and could purchase additional storage space for tiered fees, while storage associated with sideloaded songs did not count against the free storage limit. At Robertson's direction, MP3tunes strove to expand sideload.com's catalog by encouraging users to upload songs to the sideload.com index. For example, members of MP3tunes's staff were encouraged to upload songs from their own accounts, even when those songs came from websites that appeared to contain infringing material. Robertson directed MP3tunes employee Sharmaine Lindahl to provide MP3tunes employees a list of sites featuring free MP3s "for sideloading purposes." Lindahl observed that one of the sites on the list "look[ed] to be mainly pirated music." MP3tunes also encouraged repeated sideloading among MP3tunes.com users by creating a "Sideload Hall of Fame" consisting of the "top 25 Sideloaders with accounts at MP3tunes.com."

## **DISCUSSION**

### **I. The Plaintiffs' Appeal**

The plaintiffs challenge three rulings made by the District Court: first, that MP3tunes reasonably implemented a repeat infringer policy and was eligible for DMCA safe harbor protection for pre- and post-1972 songs; second, that the jury's finding of red-flag knowledge or willful blindness with respect to certain categories of songs was wrong as a matter of law; and third, that the plaintiffs were entitled to only one award of statutory damages for songs where the copyright to the musical composition and the copyright to the sound recording were owned by different holders.

We address each of these challenges.

### **A. “Reasonably Implemented” Repeat Infringer Policy**

The DMCA shields a service provider from liability for the infringing acts of its users if the provider satisfies certain conditions. One of those conditions requires that a service provider “adopt[ ] and reasonably implement[ ] ... a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers.” 17 U.S.C. § 512(i)(1)(A). The plaintiffs argue that MP3tunes never reasonably implemented a repeat-infringer policy because it failed to track users who repeatedly created links to infringing content in the sideload.com index or who copied files from those links, which appeared on multiple takedown notices sent to MP3tunes.

In addressing this argument, we answer two questions: first, whether certain MP3tunes users qualified as “repeat infringers”; and second, if so, whether MP3tunes reasonably implemented a policy directed at them.

We begin with the first question. The District Court held that “[t]he purpose of subsection 512(i) is to deny protection to websites that tolerate users who flagrantly disrespect copyrights.” For the purposes of § 512(i)(1)(A), it defined a “repeat infringer” as a user who posts or uploads infringing content “to the internet for the world to experience or copy” knowing that the conduct infringes another's copyright. In contrast, the District Court believed, a user who downloads or copies “songs from third-party sites for their personal entertainment” could not be a “repeat infringer.” The District Court thus concluded that only users who upload infringing content are “blatant infringers that internet service providers are obligated to ban from their websites.”

We reject this definition of a “repeat infringer,” which finds no support in the text, structure, or legislative history of the DMCA.

Starting with the text, we note that the DMCA does not itself define “repeat infringers.” But where a statute does not define a term, we give the term its ordinary meaning. In this context, we take “repeat” to mean “a person who does something ... again or repeatedly,” *Oxford English Dictionary* (3d ed. 2009), while an “infringer” is “[s]omeone who interferes with one of the exclusive rights of a ... copyright,” *Infringer*, *Black's Law Dictionary* (10th ed. 2014). Copyright infringement is a strict liability offense in the sense that a plaintiff is not required to prove unlawful intent or culpability, see *Cartoon Network LP, LLLP v. CSC Holdings, Inc.*, 536 F.3d 121, 130 (2d Cir. 2008); *Shapiro, Bernstein & Co. v. H. L. Green Co.*, 316 F.2d 304, 308 (2d Cir. 1963), and a user does not have to share copyrighted works in order to infringe a copyright. In the context of this case, all it took to be a “repeat infringer” was to repeatedly sideload copyrighted material for personal use.

We turn next to the structure and context of the DMCA, interpreting the term “repeat infringer” against the backdrop of the statute as a whole. It is important to recall that the DMCA imposes certain requirements



on service providers in exchange for limitations on liability. It would make little sense to link that limitation on liability to the knowledge of users. Indeed, the DMCA explicitly relieves service providers from having to affirmatively monitor their users for infringement—something that would likely be required should MP3tunes have to ascertain its users’ knowledge. See 17 U.S.C. § 512(m)(1) (“Nothing in this section shall be construed to condition the applicability of [the DMCA safe harbors] on a service provider monitoring its service or affirmatively seeking facts indicating infringing activity.”).

The legislative history also confirms our view that the District Court’s definition of “repeat infringer” as limited to willful infringement is too narrow. The Senate and House reports accompanying the DMCA recognize a difference between inadvertent and willful infringement. But both reports also assert that a “repeat infringer” requirement is meant to deter those “who repeatedly or flagrantly abuse their access to the Internet through disrespect for the intellectual property rights of others.” In other words, the legislative history of the DMCA indicates that a “repeat infringer” does not need to know of the infringing nature of its online activities.

Finally, none of our sister circuits has adopted the District Court’s definition of “repeat infringer” to include only those who willfully infringe copyrights. To the contrary, the Seventh Circuit has suggested that the term covers users of file-sharing services who are “ignorant or more commonly disdainful of copyright.” See *In re Aimster Copyright Litig.*, 334 F.3d 643, 645 (7th Cir. 2003).

Our view of what Congress meant by the term “repeat infringer” leads us to conclude that the District Court improperly granted summary judgment. Prior to trial, there was clearly enough disputed evidence relating to MP3tunes’s policy regarding infringers to conclude that summary judgment was inappropriate. To show that it reasonably implemented such a policy, MP3tunes proffered evidence at the summary judgment stage that it terminated 153 users who shared locker passwords. In response, though, the plaintiffs demonstrated that MP3tunes did not even try to connect known infringing activity of which it became aware through takedown notices to users who repeatedly sideloaded files and created links to that infringing content in the sideload.com index.

Furthermore, the plaintiffs presented evidence that MP3tunes executives were encouraged to and did personally sideload songs from blatantly infringing websites. The same executives made the songs available to sideload.com users. There was also evidence that MP3tunes was capable of cataloging the sideloads of each MP3tunes user. A jury could reasonably infer from that evidence that MP3tunes actually knew of specific repeat infringers and failed to take action.

A reasonable jury alternatively could have determined that MP3tunes consciously avoided knowing about specific repeat infringers using its services, even though the infringement was rampant and obvious. In *Viacom*, we held that “the willful blindness doctrine may be applied, in appropriate circumstances, to demonstrate knowledge or awareness of specific instances of infringement under the DMCA.” Thus, at trial the plaintiffs could prevail by demonstrating that MP3tunes’s failure to track users who created links to infringing content identified on takedown notices or who copied files from those links evidenced its willful blindness to the repeat infringing activity of its users.

Our conclusion that the District Court improperly granted partial summary judgment to MP3tunes on the basis of its policy regarding “repeat infringers” is not inconsistent with the DMCA’s provision declaring that

safe harbor protection cannot be conditioned on “a service provider monitoring its service or affirmatively seeking facts indicating infringing activity.” (17 U.S.C. § 512(m)(1)). Based on the available evidence, a reasonable jury could have concluded that it was reasonable for MP3tunes to track users who repeatedly created links to infringing content in the sideload.com index or who copied files from those links. See *Aimster*, 334 F.3d at 655 (“The common element of [DMCA] safe harbors is that the service provider must do what it can reasonably be asked to do to prevent the use of its service by ‘repeat infringers.’”). After all, MP3tunes had already tracked and removed 153 users “who allowed others to access their lockers and copy music files without authorization”; by comparison, requiring MP3tunes to extend that policy to users who sideloaded infringing content may not be an unreasonably burdensome request. Furthermore, doing so would not require MP3tunes to “monitor” or “affirmatively seek facts” about infringing activity in a manner inconsistent with § 512(m)(1) because it already had adequate information at its disposal in the form of takedown notices provided by EMI as to which links were allegedly infringing. MP3tunes would simply have had to make use of information already within its possession and connect that information to known users. While the defendants could yet make the case at trial that it was unreasonable under the circumstances to ask MP3tunes to identify users who repeatedly infringed plaintiffs’ copyrights by sideloading music files, no evidence available at the summary judgment stage compelled that conclusion as a matter of law.

For these reasons, we vacate the District Court’s grant of summary judgment and remand for further proceedings.

### **B. Red-Flag Knowledge and Willful Blindness**

We turn next to the District Court’s determination that the jury’s finding of red-flag knowledge or willful blindness with respect to certain categories of songs was wrong as a matter of law. We start with the proposition that even if a service provider has a reasonably implemented repeat infringer policy, it relinquishes the DMCA’s safe harbor if it, first, has “actual knowledge that the material or an activity using the material on the system or network is infringing” or “in the absence of such actual knowledge, is [ ] aware of facts or circumstances from which infringing activity is apparent,” and second, “upon obtaining such knowledge or awareness, [does not] act[ ] expeditiously to remove, or disable access to, the material.” 17 U.S.C. § 512(c)(1)(A); see also 17 U.S.C. § 512(d)(1). At trial, the plaintiffs contended that MP3tunes was “aware of facts or circumstances from which infringing activity was apparent”—or in other words had “red-flag knowledge” or willful blindness with respect to several categories of songs. The jury found that MP3tunes had knowledge as to four categories of files: (1) those stored on domains identified in takedown notices as having ten or more infringing files; (2) sideloads of MP3s before January 2007; (3) certain sideloads by MP3tunes executives; and (4) works by the Beatles. The District Court upheld the jury’s finding of red-flag knowledge with respect to certain songs and subsets of songs but granted the defendants judgment as a matter of law as to two categories of songs that are the subject of our review: MP3s from major labels issued before 2007, and all songs by the Beatles.

We have already explained that the DMCA does not impose “an amorphous obligation to take commercially reasonable steps in response to a generalized awareness of infringement.” *Viacom*, 676 F.3d at 31. Accordingly, “[o]n the issue of disqualifying knowledge ... the burden falls on the copyright owner to demonstrate that the service provider acquired knowledge of the infringement, or of facts and circumstances from which infringing activity was obvious, and failed to promptly take down the infringing matter, thus forfeiting its right to the safe harbor.” *Capitol Records, LLC v. Vimeo, LLC*, 826 F.3d 78, 95 (2d

Cir. 2016). In other words, a copyright owner must point to a defendant's "actual knowledge or awareness of facts or circumstances that indicate specific and identifiable instances of infringement."

With this principle in mind, we conclude that the trial evidence in this case, viewed in the light most favorable to the plaintiffs, showed that MP3tunes and Robertson knew that major music labels generally had not even authorized their music to be distributed in the format most widely available on sideload.com, let alone authorized it to be shared on the internet. In particular, Robertson apparently knew that major record labels had not offered songs in MP3 format until 2007. In January 2007, in connection with MP3tunes's MP3 sale model, for example, Robertson admitted that "popular acts have never before sold tracks in MP3 formats." With respect to MP3s sideloaded before 2007, therefore, the jury reasonably could have concluded that MP3tunes and Robertson were aware of "facts and circumstances that make infringement obvious."

What prompted the District Court to conclude otherwise? In granting judgment as a matter of law to the defendants on this issue, the District Court explained that barring MP3tunes from the DMCA safe harbor "would require Defendants to actively conduct routine searches and eliminate material likely to be infringing." It therefore understandably concluded that imposing such a duty clashed with the DMCA's "express disavowal of a duty to affirmatively monitor." Under the circumstances of this case, we respectfully disagree with the District Court's assessment, primarily for two reasons.

First, the jury was clearly instructed, and we presume it understood, that MP3tunes had no continuing, affirmative duty to monitor its servers for infringement. The jury could comply with that instruction and still find that MP3tunes was required to disable access to pre-2007 songs by "act[ing] expeditiously to remove, or disable access to" the pre-2007 songs "upon obtaining such knowledge or awareness." 17 U.S.C. § 512(c)(1)(A)(iii). There was evidence at trial that MP3tunes could disable access. Indeed, an expert testified that searching through libraries of MP3 songs was a common function of MP3tunes's business. The jury was therefore permitted to conclude that a time-limited, targeted duty—even if encompassing a large number of songs—does not give rise to an "amorphous" duty to monitor in contravention of the DMCA. *Viacom*, 676 F.3d at 31; *see also id.* at 34 (suggesting that a reasonable jury could find red-flag knowledge with respect to groups of clips). The same is true of the Beatles songs. The jury heard evidence that Robertson knew there had been no legal online distribution of Beatles tracks before 2010, other than one track used within a video game. Robertson further admitted that he authored a 2009 e-mail that showed he was aware of the plaintiffs' position that "[the] Beatles have never authorized their songs to be available digitally." And MP3tunes was made aware through user emails that Beatles songs such as "Strawberry Fields Forever" were on sideload.com's index. The jury could have reasonably concluded that MP3tunes had red-flag knowledge of, or was willfully blind to, the infringing nature of the Beatles tracks on its servers and failed to "act[ ] expeditiously" to remove them.

Second, the jury could reasonably have found that MP3tunes conceived of and was designed to facilitate infringement based in part on evidence presented at trial that MP3tunes "actively encourage[ed] infringement" and that Robertson and MP3tunes executives "personally used [sidoalad.com] to download infringing material." Although such evidence might not alone support a separate finding of red-flag knowledge or willful blindness as to users, the jury could certainly rely on it in deciding whether MP3tunes was entitled to the DMCA safe harbor, *see Fung*, 710 F.3d at 1040 (holding that "aspects of the inducing behavior that give rise to liability are relevant to the operation of some of the DMCA safe harbors and can, in some circumstances, preclude their application"). Indeed, the jury could reasonably have understood

Robertson to have admitted on cross-examination that sideload.com “was premised on the notion that everything that was on the internet that was not locked down could be sideloaded into the site.” And in editing sideload.com’s Frequently Asked Questions (“FAQs”), Robertson emphasized that the site should tell users that its music is “legal to download” because “[s]ideload.com does not store any music, but rather links to files publicly available [in] other places on the net.”

For these reasons, we reverse the District Court’s ruling vacating the jury verdict with respect to red-flag knowledge and willful blindness for pre-2007 MP3s and Beatles songs.

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## Check Your Understanding – *EMI Christian Music*

**Question 1.** True or false: The DMCA explicitly requires service providers to affirmatively monitor their users for infringement.



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<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-110>

**Question 2.** What does the DMCA require Internet service providers to do with respect to “repeat infringers” in order to remain eligible for the safe harbor?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-111>

Some things to consider when reading *Ventura Content*:

1. This is another decision pertaining to the § 512(c) safe harbor for “infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.”
2. The steps the defendant took to remain eligible for the safe harbor, and how close he came to losing it. What is the lesson for ISP operators?
3. The courts discussion and interpretation of the phrase “by reason of storage at the direction of the user.”
4. The court’s application of the requirement that an ISP implement a policy “reasonably” for terminating repeat infringers to this particular defendant, which was essentially a one-man operation.

5. The court's comparison of the facts of this case with UMG, *Mavrix*, and *Fung*.

## *Ventura Content, Ltd. v. Motherless, Inc.*

885 F.3d 597 (9th Cir. 2018)

KLEINFELD, Senior Circuit Judge:

We address the safe harbor provision in the Digital Millennium Copyright Act and conclude that the defendants are entitled to safe harbor.

### **FACTS**

This case was decided on summary judgment. Joshua Lange, the named defendant, owns, operates, and is the sole employee of his internet site, Motherless.com. The site contains over 12.6 million mostly pornographic pictures and video clips. The content generally has been uploaded by the site's users, and the uploaders may or may not have created the material. Motherless stores the content on servers that Lange owns. In 2011, the website had nearly 750,000 active users and about 611,000 visits daily.

The Terms of Use posted on the site provide a "partial list of content that is illegal or prohibited," such as child pornography, bestiality, and copyright-infringing material. The Terms prohibit posting copyrighted material without the prior written consent of the copyright owner, and they invite takedown notices for infringing material. The website gives directions for emailing takedown notices. Motherless also uses a software program that provides copyright owners with a link and password so that they can directly delete infringing material themselves, without having to send a takedown notice to Lange.

Lange explained at his deposition that he and an independent contractor review all the pictures and videos before they are displayed on the site. Lange uses software that generates a thumbnail of each picture, and five thumbnails of each video clip at the 20%, 40%, 60%, 80%, and 100% time points in the clip (*e.g.*, for a two minute clip, at 24, 48, 72, 96, and 120 seconds into the clip). Lange or his contractor look at each thumbnail for "obvious signs of child pornography, copyright notices, watermarks, and any other information that would indicate that the [material] contains illegal content or violates" the Terms of Use. Lange spends three to six hours a day, seven days a week, looking at the uploads, and he estimates that he reviews between 30,000 to 40,000 images per day. He looks at about 80 thumbnails per minute to keep up with the volume of uploads. He deletes any violating material that he or his contractor spot. Whenever he finds child pornography, he contacts the National Organization of Missing and Exploited Children so that criminal action can be instigated against the uploader.

Lange personally examines all copyright infringement notices, whether DMCA-compliant or not, and deletes any infringing content that he can find. He locates infringing content using the URL, that is, the web address that appears at the top of the screen when an image or clip is on the screen. The complainant identifies the material by the URL and Lange deletes it as quickly as he can, ordinarily within a day or two. He also sends an email to the user who uploaded the video or picture, notifying him that the uploaded material has been deleted. Motherless uses software to prevent users from re-uploading previously deleted material. Since

2008, Motherless has received over 3,500 takedown notices. Lange has deleted over 4.5 million pictures and videos for violating Motherless's Terms of Use and estimates that 4% to 6% of the deleted files were for copyright infringement.

Motherless does not have a written policy instructing its employees on when to expel repeat infringers; there are no employees to instruct. Lange personally terminates repeat infringers; the independent contractor does not terminate repeat infringers. Termination is a matter of Lange's judgment. He considers the following factors in deciding whether to terminate a repeat infringer: (1) the volume of complaints; (2) the amount of linked content in the complaints; (3) the timespan between notices; (4) the length of time the alleged infringer's account had been active; (5) the amount of total content the account has; (6) whether the user is maliciously and intentionally uploading infringing content or uploading content without knowing the source; and (7) whether the takedown notices were DMCA-compliant. Between 2008 and 2011, Lange terminated over 33,000 user accounts for violating the website's Terms of Use. Lange estimated that he terminated about 4% to 6% of these users for possible copyright infringement, which would be between 1,320 and 1,980 users.

Ventura Content, the plaintiff, creates and distributes pornographic movies. Ventura found 33 clips on Motherless from movies it had created and had not licensed to Motherless. The infringing clips were anywhere from 20 seconds to 46 minutes long, mostly 15 minutes or longer. It is undisputed that the clips infringed on Ventura's copyright.

All the infringing clips were segments of Ventura movies, not merely pictures, and not the full movie. None of the clips contained anything to indicate that Ventura owned the copyright. A few had watermarks naming other websites, which appear to be other pornography aggregators, but there were no Ventura watermarks, credits, or other pieces of information suggesting in any way that Ventura owned the copyright. These clips were visited 31,400 times during the 20 months they were posted on Motherless. During this time, Motherless received about 600,000 visits per day, so the views of the Ventura clips were a minuscule proportion of the total views on Motherless.

Eight users uploaded the 33 infringing clips. Lange terminated two of these users by 2012 (after this litigation began), one for repeat copyright infringement. There is no evidence to show that whoever uploaded the Ventura material got any credits or other compensation for these uploads. Lange does not remember reviewing any of these videos. Ventura did not send DMCA notices or any other sort of takedown notice for the infringing material. Nor did Ventura remove the material itself, as Motherless's software link enabled it to do. Ventura's first notice of infringement to Motherless was this lawsuit.

After Lange was served with the complaint in this case, he asked Ventura to send him the URLs for the infringing clips so that he could delete them. Ventura did not respond the first time Lange asked for the URLs, so Lange asked again. Ventura answered his follow-up request. On the day that Ventura gave Lange the URLs, Lange deleted the infringing clips.

Ventura sued Motherless and Lange for copyright infringement under federal law and for unfair business practices under California law. Ventura sought damages and an injunction, but the injunction claim became moot when Lange deleted all the infringing clips. The district court granted summary judgment in favor of Motherless and Lange on the federal copyright claim.

## ANALYSIS

### I. Safe Harbor

The Digital Millennium Copyright Act places the burden of policing copyright infringement on the copyright owner, not on the person or firm storing and hosting the material. It is undisputed that Ventura owned the copyrights to the 33 clips that were stored and displayed by Motherless.

The safe harbor clause at issue in this case, 17 U.S.C. § 512(c), provides as follows:

(1) IN GENERAL.—A service provider shall not be liable for monetary relief ... for infringement of copyright by *reason of the storage at the direction of a user* of material that resides on a system or network controlled or operated by or for the service provider, if the service provider—

(A) (i) does not have *actual knowledge* that the material or an activity using the material on the system or network is infringing;

(ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is *apparent*; or

(iii) upon obtaining such knowledge or awareness, *acts expeditiously* to remove, or disable access to, the material;

(B) *does not receive a financial benefit directly attributable to the infringing activity*, in a case in which the service provider has the right and ability to control such activity; and

(C) *upon notification* of claimed infringement as described in paragraph (3), *responds expeditiously* to remove, or disable access to, the material that is claimed to be infringing or to be the subject of infringing activity.<sup>9</sup>

Thus for a service provider to get safe harbor protection despite its infringement, it must not know of the infringement, and the infringement cannot be apparent. It must also take down or prevent access to the infringing material as soon as it learns about it or receives a DMCA notice. And it must not directly benefit financially from the infringement in situations when it can control the activity.

There is an additional condition on safe harbor eligibility: the service provider must have a policy to terminate users who repeatedly infringe on copyrights, and it must implement that policy reasonably. The statute setting this condition, 17 U.S.C. § 512(i), reads as follows:

CONDITIONS FOR ELIGIBILITY.—

(1) ACCOMMODATION OF TECHNOLOGY.—The limitations on liability established by this section shall apply to a service provider only if the service provider—

(A) has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers; and

(B) accommodates and does not interfere with standard technical measures.

The overall scheme is plain enough at a superficial level. A service provider must delete or disable access to known or apparent infringing material, as well as material for which he receives a statutorily compliant takedown notice. He must also terminate repeat infringers when appropriate. The copyright owner, not the service provider, has the burden of policing infringement. But the service provider, to maintain its shield, must respond expeditiously and effectively to the policing. If these conditions are met, the service provider will not be financially liable for infringing material on his website. The details, of course, get complicated, and we must address those complications.

#### **A. “By reason of the storage at the direction of a user”**

Section 512(c) says that, subject to additional conditions discussed below, a service provider will not be liable “for infringement of copyright by reason of the storage at the direction of a user of material that resides on a system or network controlled or operated by or for the service provider.”

Ventura argues that Lange is not entirely passive because he screens out child pornography, bestiality, and copyright infringement that he spots. The argument is that by screening out this material, Motherless effectively directs what is posted instead of enabling posting “at the direction of a user.” But Ventura cites no authority for the unlikely proposition that screening out illegal material eliminates the safe harbor shield. Indeed, section 512(m) says that the law should not be construed to eliminate the safe harbor because a service provider monitors for infringement or disables access to material where the conduct depicted is prohibited by law. We find it counterintuitive, to put it mildly, to imagine that Congress intended to deprive a website of the safe harbor because it screened out child pornography and bestiality rather than displaying it. Instead, we read section 512(m) to say that Congress expressly provided that such screening does not deprive a website of safe harbor protection.

Ventura also argues that because Motherless groups together the tagged videos and pictures so that users can find what they want, it is Motherless, rather than the user, who directs the “storage.” But Lange testified, and Ventura does not dispute, that his editorial principle is as announced on the site: “anything legal stays.” Ventura merely argues that this case can be distinguished from opinions which applied the safe harbor to sites that screen and alter content.

Our controlling case is *UMG Recordings, Inc. v. Shelter Capital Partners, LLC*.<sup>4</sup> There, we addressed whether a website that enabled sharing music videos, some of which turned out to be infringing, was entitled to safe harbor. The videos in UMG were not just stored, as one might store family photographs on a “cloud” service such as iCloud, Dropbox, or Google Drive. Users uploaded material and watched and listened to videos and songs. Some of the music was infringing. We held in UMG that the phrase “by reason of the storage at the direction of a user” covers more than “mere electronic storage lockers.” It allows service providers to perform access-facilitating processes such as breaking up the files for faster viewing and converting them to a Flash format.

As in UMG, Motherless’s users, not the website, decide what to upload and what file names and tags to use. Our holding in UMG disposes of the argument that altering the file format to make it accessible before posting, and enabling users to apply search tags to uploads, takes the posting of the content out of the “at the direction of a user” definition. It also disposes of the argument that being anything more than an



electronic storage locker, such as by facilitating user access to files that other users posted, deprives the website of safe harbor protection.

Ventura argues that by using software to highlight the “Most Popular” material, and by giving credits to users who post the most popular material, Motherless is posting at its own direction rather than hosting material posted at the direction of the user. This argument is inconsistent with our holding in *UMG*. It is also inconsistent with the meaning of the words “at the direction of the user.” The users post what they post, popular or not. Motherless does not screen out material for relatively low popularity, and of course most postings do not fall within the “Most Popular” category. Yet there they are, up on the site, because the users put them there.

We recently addressed the phrase “by reason of storage at the direction of the user” in *Mavrix Photographs, LLC v. LiveJournal, Inc.*<sup>5</sup> The website in *Mavrix* was not entitled to summary judgment on the safe harbor issue because there was a genuine issue of fact as to whether the storage of material on the site was at the direction of the site or at the direction of its users. The *Mavrix* website used moderators to review user submissions for substance. It published only those submissions that, in the moderators’ judgment, were “relevant to new and exciting celebrity news.” We remanded because genuine issues of material fact remained as to “whether the moderators were LiveJournal’s agents.” We restated in *Mavrix* what we had held in *UMG*: “Infringing material is stored at the direction of the user if the service provider played no role in making that infringing material accessible on its site or if the service provider carried out activities that were ‘narrowly directed’ towards enhancing the accessibility of the posts.” And we further noted that section 512(m) of the statute expressly provided that deleting unlawful material did not deprive the site of safe harbor protection.

The case before us falls within *UMG*, not *Mavrix*. The moderators in *Mavrix* directed posting only if they thought the user-submitted material was “new and exciting celebrity news.” Lange and his contractor do not review whether the pornography submitted by users is “new and exciting” or meets any other discretionary standards. The Motherless rule is “anything legal stays.” Lange does not exercise judgment in what to host. His editing is limited to the kind protected by section 512(m), screening out illegal material.

Although *UMG* compels our holding, we also note that our sister circuits agree with the critical point that “storage at the direction of a user” affords safe harbor protection to sites where users can look at other users’ uploads, not just to what *UMG* called “electronic storage lockers.”<sup>27</sup> The Second Circuit ruled in *Viacom International, Inc. v. YouTube, Inc.*<sup>6</sup> that YouTube was entitled to safe harbor—even though it converted user-submitted videos into a standard display format and used an algorithm to suggest related videos—because “to exclude these automated functions from the safe harbor would eviscerate the protection afforded to service providers by § 512(c).” Likewise, the Fourth Circuit held in *CoStar Group, Inc. v. LoopNet, Inc.* that a real estate listing website that allowed subscribers to post listings was not liable for copyright infringement even though an employee cursorily reviewed the photographs for infringing material. The *CoStar* majority analogized the service provider to an owner of a traditional copy machine “who has stationed a guard by the door to turn away customers who are attempting to duplicate clearly copyrighted works.” And the Tenth Circuit held in *BWP Media USA, Inc. v. Clarity Digital Group, LLC* that a news site that relied on user-generated content was entitled to safe harbor even though it instructed users on topics to write about and suggested that users include pictures or slide shows with their articles. Citing

to UMG, the Tenth Circuit explained that “if the infringing content has merely gone through a screening or automated process, the [service provider] will generally benefit from the safe harbor’s protection.”

Because the users, not Motherless, decided what to post—except for Lange’s exclusion of illegal material and his original upload when he created the website—the material, including Ventura’s, was “posted at the direction of users.”

## **B. Knowledge and Expeditious Takedown**

Though the statutory scheme places the burden of policing infringement on the copyright owner, the scheme does not allow a website owner to avoid responsibility for knowingly selling pirated material by deleting a particular posting only when he gets caught. Instead, the statute excludes blatant pirates from the safe harbor by requiring that a service provider:

- (i) does not have actual knowledge that the material or an activity using the material on the system or network is infringing;
- (ii) in the absence of such actual knowledge, is not aware of facts or circumstances from which infringing activity is apparent; or
- (iii) upon obtaining such knowledge or awareness, acts expeditiously to remove, or disable access to, the material.

If the website provider actually knows that the material for which relief is sought is infringing, or if the infringement is “apparent,” he remains liable if he does not expeditiously remove the material upon gaining knowledge.

### **i. Actual Knowledge**

Ventura and its expert argue that Lange must have had actual knowledge that the Ventura clips infringed on its copyright because they appeared to be professionally produced and because a few had watermarks. That argument is unavailing.

Ventura argues that Motherless had to know the clips were infringing because, it claims, the high quality of the videos showed professional production. But the conclusion does not follow from the premise. Professionally created work often is posted online to publicize and attract business for the creator. Amateurs often do professional quality work in artistic endeavors, and amateurs are no less entitled to copyright protection than professionals, so it is not apparent why professionalism matters.

Ventura could have indicated its ownership by watermarking its videos as copyrighted, but it did not. And Ventura could have notified Motherless that the clips infringed on its copyright when it discovered them on Motherless’s site, but it did not. Ventura’s “decision to forgo the DMCA notice protocol stripped it of the most powerful evidence of a service provider’s knowledge—actual notice of infringement from the copyright holder.”<sup>7</sup> If Ventura had notified Motherless about these 33 infringing videos before filing this lawsuit and Motherless had not taken them down, then Motherless would have lost its safe harbor. On the facts of this record, however, Ventura did not establish a genuine issue of fact as to actual knowledge. The statutory

phrase “actual knowledge” means what it says: knowledge that is actual, not merely a possible inference from ambiguous circumstances.

## **ii. Apparent Knowledge**

Actual knowledge is not necessary to deprive an infringer of safe harbor. Motherless would also lose its safe harbor if it was “aware of facts or circumstances from which infringing activity is apparent” and did not “act[ ] expeditiously to remove, or disable access to, the material.” This is different from actual knowledge because instead of looking at subjective thoughts, we look at objective facts and circumstances from which the specific infringement would be obvious to a reasonable person. The statutory term “apparent” is often described, in the cases and secondary literature, as “red flag” knowledge. The sports metaphor is no more helpful than the statutory word “apparent,” and we use the words interchangeably.

Ventura’s arguments for “apparent” awareness are similar to its arguments for actual knowledge. And the same reasons for absence of knowledge apply. There is nothing about the Ventura clips that would make infringement apparent. That is not to say that Motherless did not know that infringement was probably occurring on its website. It is hard to imagine that a site with 12.6 million pictures and video clips uploaded by users would not contain some material that users had uploaded without authorization. It is also hard to imagine that Lange and his contractor would have spotted all the infringing videos with the few seconds of viewing they gave to each one.

Nevertheless, we held in *UMG* that hosting material capable of copyright protection, with the general knowledge that the site could be used to share infringing material, is not enough to impute knowledge. The material in *UMG* was much more likely to arouse awareness of infringement than the material in this case, because it included music videos by well-known celebrities like 50 Cent, Avril Lavigne, and Britney Spears. We held that this sort of knowledge was not enough to amount to red flag knowledge.

Similarly, in *Capitol Records, LLC v. Vimeo, LLC*, the Second Circuit addressed whether a service provider may be found to have apparent knowledge because it relies on mass uploading by users. Its reasoning is instructive. The service provider in *Capitol Records* was Vimeo, which operates a website that enables members to post videos that they created. As of 2012, Vimeo had more than 31 million videos and 12.3 million registered users. Nearly 43,000 videos were uploaded to Vimeo daily. Capitol Records sued Vimeo for copyright infringement because 199 videos on the website contained recordings to which Capitol Records held the copyright. The Second Circuit explained that the copyright holder must demonstrate that the service provider had actual knowledge of facts “that would make the specific infringement claimed objectively obvious to a reasonable person.” Capitol Records further explained that “suspicion of infringement” is not the same as “facts making infringement obvious.” Requiring service providers to investigate potential copyright infringement whenever they were suspicious would undermine “an important part of the compromise embodied in the safe harbor.”

We agree. The copyright owner must show knowledge, actual or red flag, for the videos that infringed its copyright and are the subject of its claim. And for red flag knowledge, infringement must be apparent, not merely suspicious. Congress used the word “apparent,” not “suspicious” or some equivalent. Ventura, not Lange, is in charge of policing Motherless for its copyrighted material. Congress could have put the burden

of policing infringement in suspicious circumstances on the provider, but it instead put it on the copyright holder.

Because the facts and circumstances from which a reasonable person might suspect infringement were much more substantial in UMG than in this case, and because there we held that the infringement was not “apparent,” we must reach the same conclusion here. As UMG implies, and as the Second Circuit in *Capitol Records* expressly stated, even if it were obvious to a reasonable person that some of the material on the site must be infringing, that is not enough to lose the safe harbor. It must be obvious that the particular material that is the subject of the claim is infringing. Here, it would not be obvious to a reasonable person that the clips excerpted from Ventura movies were infringing.

Ventura argues that we should infer apparent knowledge under *Columbia Pictures Industries, Inc. v. Fung*. Fung’s website enabled users to download popular movies and television shows, not just clips but entire movies. For example, users downloaded over 1.5 million copies of the James Bond movie *Casino Royale*. The website included categories such as “Top 20 TV Shows” and “Top 20 Movies,” so it was obvious that using it would enable the user to get this obviously infringing content in its entirety. Fung solicited users to upload and download copyrighted material and assisted those seeking to watch copyrighted material, including helping downloaders burn DVDs of the infringing material. We held that Fung had apparent knowledge, because “[t]he material in question was sufficiently current and well-known that it would have been objectively obvious to a reasonable person that the material solicited and assisted was both copyrighted and not licensed to random members of the public.”

This case is very much like UMG and not at all similar to *Fung*. In *Fung*, the site marketed itself as a pirate site for free access to feature movies and top television shows, and no one could mistake the material on it for anything but infringing material. Fung had complete, long movies, but Motherless limited uploads to 500 megabytes, which would be around half or three-quarters of an hour at standard density, and much less at high density. The Ventura clips had no indication that Ventura owned the copyright—or was associated with the videos at all. Fung had “current and well-known” material, like *Casino Royale*. Whoever the actors in the Ventura material may have been, they are not as famous as the actors who have played James Bond. No one could mistake *Casino Royale* for a couple of amateurs filming their own activities and purposely posting them for exhibition, but an ordinary person could mistake the Ventura clips for just that.

In *Fung*, we noted that “the record is replete with instances of Fung actively encouraging infringement, by urging his users to both upload and download particular copyrighted works.” Lange did not do that. His posted Terms of Use prohibited posting copyrighted material without prior written consent from the copyright owner, and he invited takedown notices for infringing material. While such posted notices language could be merely for appearances sake if it were not followed by action, Lange estimates that he has deleted over 180,000 videos and pictures for copyright infringement. He has removed an estimated 1,320 to 1,980 users from the site for repeated copyrighted infringement. His software stops users from re-uploading previously deleted material. Fung’s was fairly explicitly a pirate website. Motherless, though, appears to be managing the website to make money while avoiding legal trouble from users posting child pornography, bestiality, or copyright infringing material.

Lastly, Ventura makes the policy argument that “[i]t is exceedingly difficult for [Ventura]—or any adult Web site, for that matter—to convince customers to pay for content that is readily available for free on the adult

tube sites” such as Motherless. That may be so, but Congress, not judges, makes the policy decision on whether to offer a safe harbor from suit.

### **iii. Expeditious Takedown**

An additional requirement for the accidental infringer’s safe harbor relief is expeditious removal of the infringing material once there is actual or red flag notice of the infringement. The statutory wording is that “upon obtaining such knowledge or awareness,” the service provider must “act[ ] expeditiously to remove, or disable access to, the material.” To trigger the expeditious removal requirement, a copyright owner’s notification must substantially comply with the requirements of subsection (c)(3)(A) of the safe harbor statute. Among other things, the notification must identify the infringing material with “information reasonably sufficient to permit the service provider to locate the material.”

In this case, the infringing videos had no Ventura identification, and the site had more than a half-million videos, so as a practical matter what Motherless needed to remove them was a URL for each. Ventura did not send Motherless a statutory notification before filing suit. When Lange was served with Ventura’s complaint, he asked Ventura to provide him with the URLs to the infringing clips so that he could delete them. Ventura did not initially respond. Subsequently, Ventura provided the URLs after Lange followed up on his initial request. Lange deleted the 33 infringing clips the same day. That satisfied the “responds expeditiously to remove” requirement.

### **C. Right and Ability to Control**

Even if subsection (c)(1)(A) is satisfied (no actual or red flag knowledge, expeditious removal), a service provider still loses its safe harbor under subsection (c)(1)(B) if it receives “a financial benefit directly attributable to the infringing activity, in a case in which the service provider has the right and ability to control such activity.” This raises two questions: did Motherless have “the right and ability to control” the infringing activity, and if so, did it receive a financial benefit “directly attributable to the infringing activity”?

Motherless certainly had the physical ability to control any and all infringing activity. Lange could take down all of Motherless’s content, infringing or not, and bar any uploads, infringing or not. We have held, however, that the right and ability to control involves something more than the ability to remove or block access to materials posted on a service provider’s website. To have the right and ability to control, a service provider must be able to exert “substantial influence” on its users’ activities.

We held in *UMG* that the service provider did not have the “ability to control.” In *Fung*, it did. This case is like *UMG* and not like *Fung*. Nothing in the record suggests that Motherless told its users what to upload. Its homepage welcomed users to “a moral free zone where anything legal stays.” It did not curate uploaded content in any meaningful way, nor did it reject unpopular groups or content. Motherless deleted only user-created groups that contained little or no content, and it started deleting bestiality content due to legality issues raised by European advertisers.

Nor was there any evidence that Motherless received “a financial benefit directly attributable to the infringing activity.” Unlike the site in *Fung*, Motherless did not advertise itself as a place to get pirated materials. Of course, the more pornography Motherless had, the more users it would attract, and more views would lead to more advertising revenue. The words “the” and “directly” in the statute, though, must

mean that some revenue has to be distinctly attributable to the infringing material at issue. There is no evidence that Motherless made any money directly from the Ventura clips.

#### **D. Repeat Infringer Termination**

So far, we have examined the specifics of the safe harbor as applied to Ventura's movie clips. Ventura did not submit cognizable evidence establishing a genuine issue of fact as to whether Motherless was entitled to safe harbor. The evidence is uncontradicted that Motherless did not know, nor was it apparent, that its site included infringing Ventura clips. Motherless immediately removed them on the day that Ventura gave Motherless enough information to do so. And Motherless did not control what users uploaded. These conditions are necessary to enjoy the safe harbor. However, they are not sufficient.

Basically, subsection (c) of the safe harbor provision aims at individual infringements, not the service as a whole. It uses the phrase “the material”—that is, the material for which an infringement remedy is sought—in the context of setting out what a service provider needs to do to avoid liability for the infringement of the copyrighted material at issue. Our sister circuit and we both read it this way.<sup>8</sup> If subsection (c) were read to apply to all the material on the website, instead of the material for which a remedy was sought by the victim of infringement, then no large site would be protected by the safe harbor. It is unimaginable that any website with hundreds of thousands or millions of user uploads could successfully screen out all of the copyright infringing uploads, or even all of the uploads where infringement was apparent.

But Congress promulgated subsection (i) to limit the eligibility for safe harbor treatment. Even if a website deletes infringing material as soon as it learns about it, the safe harbor is unavailable unless the site has a policy of excluding repeat infringers. This ineligibility provision is a prophylactic against future acts of infringement by actors whose past conduct renders them suspect.

This repeat infringer policy requirement does not focus on the particular infringement at issue. Instead, subsection (i) bars use of the subsection (c) safe harbor unless the service provider adopts and “reasonably” implements a policy of terminating repeat infringers in “appropriate” circumstances:

(1) ACCOMMODATION OF TECHNOLOGY.—The limitations on liability established by this section shall apply to a service provider only if the service provider—

(A) has adopted and reasonably implemented, and informs subscribers and account holders of the service provider's system or network of, a policy that provides for the termination in appropriate circumstances of subscribers and account holders of the service provider's system or network who are repeat infringers; and

(B) accommodates and does not interfere with standard technical measures.

Unlike subsection (c), subsection (i) addresses how the site is generally managed, not just how the site responds to notice of a particular infringement. Without subsection (i), an unscrupulous website might take down infringing material as soon as it received a proper takedown notice identifying it, yet still operate as a pirate site. Subsection (i) obliges the provider to exclude repeat infringers, subject to its qualifications: “reasonably” and “in appropriate circumstances.” In this case, subsection (i) means that if Motherless did not reasonably implement a policy of terminating in appropriate circumstances users who were repeat

infringers, then innocence in hosting Ventura's works and promptness in removing them once notified would not shield Motherless from infringement remedies.

The "standard technical measures" referenced in subsection (i)(1)(B) enable copyright owners to establish some technical means so that service providers can spot and exclude infringing material without substantial expense. One can imagine a digital version of the old c in a circle (©) automatically triggering the uploading software to exclude material so marked by the copyright owner. But subsection (i)(1)(B) is not at issue in this case. The evidence establishes, without any genuine issue of fact, that Ventura did not in any way mark its material so that infringement could be spotted and the material excluded by some standard technical measure.

However, the inapplicability of subsection (B) to this case does not free Motherless from the burden of subsection (A). The service provider must satisfy both. Motherless has a written policy of excluding infringing material, stated on its membership sign-up page:

- In connection with User-Submitted Content, you affirm, represent, and/or warrant that: you won or have the necessary licenses, rights, consents and permissions to use and authorize [Motherless] to use all ... copyright ... rights in and to any and all User-Submitted Content to enable inclusion and use of the User-Submitted Content in the manner contemplated by the [Motherless] website and these Terms of Use.
- [Motherless] and its administrators reserve the right (but not the obligation) in their sole discretion to refuse, delete, move or edit any and all Content that it deems is in violation of the law (including ... copyright law)....
- A partial list of content that is illegal or prohibited includes content that ... Promotes an illegal or unauthorized copy of another's copyrighted work, such as pirated computer programs or links to them, or providing information to circumvent manufacturer-installed copy-protect devices, or providing pirated music or links to pirated music files....
- You agree that you will not post, or otherwise distribute or facilitate distribution of any Content that ... infringes on any ... copyright ... of any party....
- You may not post, distribute, or reproduce in any way, any copyrighted material ... without obtaining the prior written consent of the owner of such proprietary rights or otherwise have a valid basis under the law, including "fair use."

And Motherless has a written policy of terminating repeat infringers. On its page entitled "DMCA Notice & Takedown Policy and Procedures," Motherless said that "[it] is the firm policy of the [site] to terminate the account of repeat copyright infringers, when appropriate."

Lange described how he applies Motherless's repeat infringer policy in his deposition testimony. He testified that he excludes infringing material by looking for an identifying watermark in the corner, the usual way owners identify their copyrighted material. If he receives a DMCA takedown notice (the form designated in subsection (c)(3)(A) ), he also uses "hashing" software so that copies of the image or clip will be removed and will be screened out if anyone tries to post them again. Ordinarily, he will not terminate a user because

of one takedown notice, but he will if there are two or more, which is to say, “repeated” instances of infringement. Before removing a user, Lange considers multiple factors, including the number of complaints arising from the user’s uploads, the amount of infringing content in the complaint he received, and whether he thinks the user had maliciously or intentionally uploaded infringing content.

*Perfect 10, Inc. v. CCBill LLC* holds that a service provider implements a policy if it has a working notification system, a procedure for dealing with DMCA-compliant notifications, and if it does not actively prevent copyright owners from collecting information needed to issue such notifications. The implementation is reasonable if, under appropriate circumstances, the service provider terminates users who repeatedly or blatantly infringe copyright.

Various factors may bear on whether a service provider has adopted and reasonably implemented its policy for terminating, in appropriate circumstances, repeat infringers. Certain factors work in favor of the service provider, including: a DMCA log, as discussed in *CCBill*; blocking a subscriber’s name and email address from uploads; putting email addresses from terminated accounts on a banned list; and prohibiting a banned user from reopening a terminated account. Other factors cut against the service provider, including: changing the email address to which takedown notices are sent without providing notice of the change; participating in copyright infringement; allowing terminated users to rejoin the site; and refusing to terminate known repeat infringers. Congress did not require that, to be eligible for safe harbor, a provider must maintain a logbook of infringers which it consults whenever it receives a DMCA notice. Congress required that the provider reasonably implement a policy of terminating repeat infringers, and the use of such a logbook and procedure would be good evidence that it did.

We conclude that on this record, there was no triable issue of fact as to whether Motherless, when it infringed on Ventura’s copyrighted material, had adopted and reasonably implemented its policy of terminating repeat infringers in appropriate circumstances. No trier of fact could conclude from the evidence in the record that Motherless had failed to reasonably implement a repeat infringer policy.

As the district court pointed out, there is a paucity of proven failures to terminate. Safe harbor eligibility does not require perfection, just reasonable implementation of the policy in appropriate circumstances. Eligibility for the safe harbor is not lost just because some repeat infringers may have slipped through the provider’s net for screening them out and terminating their access. The evidence in the record shows that Motherless terminated between 1,320 and 1,980 users for alleged copyright infringement and that only nine alleged repeat infringers had slipped through. Of those nine, only six were before Ventura filed its lawsuit, and only four of the six had been the subject of more than one DMCA notice. That suggests that less than one repeat infringer in 100,000 active users was missed. If that is the extent of failure, there could be no genuine issue of material fact as to whether Motherless “reasonably implemented” its termination policy. Congress used the word “reasonable” to modify “implemented,” so the phrase cannot be construed to require perfect implementation.

The absence of any significant number of repeat infringers who escaped termination compels the conclusion that a trier of fact could not conclude, on the record before us, that Motherless failed to meet the repeat infringer eligibility requirement for safe harbor. Motherless and Lange are therefore entitled to claim the protection of the safe harbor.



**RAWLINSON, Circuit Judge, dissenting:**

I respectfully dissent from my colleagues' conclusion that Motherless, Inc. and Joshua Lange qualified for the safe harbor provided for in the Digital Millennium Copyright Act (the Act).

It is important to remember that this case was resolved on summary judgment. Therefore, if a material issue of fact was raised by Ventura Content, Ltd. (Ventura), entry of summary judgment in favor of Motherless, Inc. and Lange was in error. From my reading of the record, a gargantuan issue of fact was raised by Ventura regarding Motherless'/Lange's compliance with the requirement that the service provider adopt, implement, and inform subscribers and account holders of the policy providing for termination of repeat infringers to merit safe harbor protection from copyright infringement.

...

Viewing the evidence in the light most favorable to Ventura, material issues of fact remain regarding the existence of a policy as defined in the Act, and the reasonableness of actions taken by Motherless/Lange to terminate repeat infringers. I would reverse that portion of the district court's ruling, and I respectfully dissent from the majority's contrary ruling.

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## Check Your Understanding – *Ventura Content*

**Question 1.** According to the plaintiff in *Ventura Content*, why did the fact that the defendant screened for child pornography deprive the website of the DMCA safe harbor?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-112>

**Question 2.** How did the court distinguish between the facts of *Ventura* and *Fung*?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=182#h5p-113>

Some things to consider when reading *BMG Rts. Mgmt.*:

1. Excerpts from this 2018 decision appeared earlier in this casebook in the section on indirect

infringement.

2. The excerpts from the decision reproduced below address the § 512(a) safe harbor (as opposed to the § 512(c) safe harbor), which can be available for a service provider that acts as a “conduit” for the transmission and/or transient storage of infringing material, such as a provider of high-speed Internet access like Cox Communications.
3. In the language of the statute, § 512(a) applies to “infringement of copyright by reason of the provider’s transmitting, routing, or providing connections for, material through a system or network controlled or operated by or for the service provider, or by reason of the intermediate and transient storage of that material in the course of such transmitting, routing, or providing connections.”
4. What do you think about Cox’s “thirteen-strike policy” as a deterrent to copyright infringement?
5. Note that the problem for Cox was not its repeat infringer policy per se, but its failure to actually follow through on it.
6. Be sure you understand that failure to qualify for a DMCA safe harbor does not result in infringement liability; it just removes the shield and allows the plaintiff to present evidence to prove infringement. That is what happened in this case—see *Sony Music Ent. v. Cox Commc’ns, Inc.*, which appears in the indirect infringement section of this casebook.

### *BMG Rts. Mgmt. (US) LLC v. Cox Commc’ns, Inc.*

881 F.3d 293 (4th Cir. 2018)

DIANA GRIBBON MOTZ, Circuit Judge:

BMG Rights Management (US) LLC (“BMG”), which owns copyrights in musical compositions, filed this suit alleging copyright infringement against Cox Communications, Inc. and CoxCom, LLC (collectively, “Cox”), providers of high-speed Internet access. BMG seeks to hold Cox contributorily liable for infringement of BMG’s copyrights by subscribers to Cox’s Internet service. Following extensive discovery, the district court held that Cox had not produced evidence that it had implemented a policy entitling it to a statutory safe harbor defense and so granted summary judgment on that issue to BMG. Cox appeals, asserting that the district court erred in denying it the safe harbor defense. We hold that Cox is not entitled to the safe harbor defense and affirm the district court’s denial of it.

#### I.

##### A.

Cox is a conduit Internet service provider (“ISP”), providing approximately 4.5 million subscribers with high-speed Internet access for a monthly fee. Some of Cox’s subscribers shared and received copyrighted files, including music files, using a technology known as BitTorrent. BitTorrent is not a software program, but rather describes a protocol—a set of rules governing the communication between computers—that allows individual computers on the Internet to transfer files directly to other computers. This method of file sharing is commonly known as “peer-to-peer” file sharing, and contrasts with the traditional method of downloading a file from a central server using a Web browser.

As a conduit ISP, Cox only provides Internet access to its subscribers. Cox does not create or sell software that operates using the BitTorrent protocol, store copyright-infringing material on its own computer servers, or control what its subscribers store on their personal computers.

Cox's agreement with its subscribers reserves the right to suspend or terminate subscribers who use Cox's service "to post, copy, transmit, or disseminate any content that infringes the patents, copyrights ... or proprietary rights of any party." To enforce that agreement and protect itself from liability, however, Cox created only a very limited automated system to process notifications of alleged infringement received from copyright owners. Cox's automated system rests on a thirteen-strike policy that determines the action to be taken based on how many notices Cox has previously received regarding infringement by a particular subscriber. The first notice alleging a subscriber's infringement produces no action from Cox. The second through seventh notices result in warning emails from Cox to the subscriber. After the eighth and ninth notices, Cox limits the subscriber's Internet access to a single webpage that contains a warning, but the subscriber can reactivate complete service by clicking an acknowledgement. After the tenth and eleventh notices, Cox suspends services, requiring the subscriber to call a technician, who, after explaining the reason for suspension and advising removal of infringing content, reactivates service. After the twelfth notice, the subscriber is suspended and directed to a specialized technician, who, after another warning to cease infringing conduct, reactivates service. After the thirteenth notice, the subscriber is again suspended, and, for the first time, considered for termination. Cox never automatically terminates a subscriber.

The effectiveness of Cox's thirteen-strike policy as a deterrent to copyright infringement has several additional limitations. Cox restricts the number of notices it will process from any copyright holder or agent in one day; any notice received after this limit has been met does not count in Cox's graduated response escalation. Cox also counts only one notice per subscriber per day. And Cox resets a subscriber's thirteen-strike counter every six months.

BMG, a music publishing company, owns copyrights in musical compositions. To protect this copyrighted material, BMG hired Rightscorp, Inc., which monitors BitTorrent activity to determine when infringers share its clients' copyrighted works. When Rightscorp identifies such sharing, it emails an infringement notice to the alleged infringer's ISP (here, Cox). The notice contains the name of the copyright owner (here, BMG), the title of the copyrighted work, the alleged infringer's IP address, a time stamp, and a statement under penalty of perjury that Rightscorp is an authorized agent and the notice is accurate.

Rightscorp also asks the ISP to forward the notice to the allegedly infringing subscriber, since only the ISP can match the IP address to the subscriber's identity. For that purpose, the notice contains a settlement offer, allowing the alleged infringer to pay twenty or thirty dollars for a release from liability for the instance of infringement alleged in the notice. Cox has determined to refuse to forward or process notices that contain such settlement language. When Cox began receiving Rightscorp notices in the spring of 2011 (before Rightscorp had signed BMG as a client), Cox notified Rightscorp that it would process the notices only if Rightscorp removed the settlement language. Rightscorp did not do so. Cox never considered removing the settlement language itself or using other means to inform its subscribers of the allegedly infringing activity observed by Rightscorp.

Rightscorp continued to send Cox large numbers of settlement notices. In the fall of 2011, Cox decided to "blacklist" Rightscorp, meaning Cox would delete notices received from Rightscorp without acting on them

or even viewing them. BMG hired Rightscorp in December 2011—after Cox blacklisted Rightscorp. Thus, Cox did not ever view a single one of the millions of notices that Rightscorp sent to Cox on BMG’s behalf.

## B.

On November 26, 2014, BMG initiated this action against Cox. BMG alleged that Cox was vicariously and contributorily liable for acts of copyright infringement by its subscribers.

At the conclusion of discovery, the parties filed multi-issue cross-motions for summary judgment, which the district court resolved in a careful written opinion. Among these issues, BMG asserted that Cox had not established a policy entitling it to the safe harbor defense contained in the Digital Millennium Copyright Act (“DMCA”), 17 U.S.C. § 512(a). The court granted summary judgment to BMG on Cox’s safe harbor defense.

## II.

We first address Cox’s contention that the district court erred in denying it the § 512(a) DMCA safe harbor defense.

## A.

The DMCA provides a series of safe harbors that limit the copyright infringement liability of an ISP and related entities. As a conduit ISP, Cox seeks the benefit of the safe harbor contained in 17 U.S.C. § 512(a). To fall within that safe harbor, Cox must show that it meets the threshold requirement, common to all § 512 safe harbors, that it has “adopted and reasonably implemented ... a policy that provides for the termination in appropriate circumstances of subscribers ... who are repeat infringers.” 17 U.S.C. § 512(i)(1)(A).

Cox’s principal contention is that “repeat infringers” means adjudicated repeat infringers: people who have been held liable by a court for multiple instances of copyright infringement. Cox asserts that it complied with § 512(i)(1)(A)’s requirement and is therefore entitled to the § 512(a) DMCA safe harbor because BMG did not show that Cox failed to terminate any adjudicated infringers. BMG responds that Cox’s interpretation of “repeat infringers” is contrary to “the DMCA’s plain terms.”

*[Editor’s note: The court rejected Cox’s argument that the term “repeat infringers” in § 512(i) is limited to adjudicated infringers.]*

## B.

Section 512(i) thus requires that, to obtain the benefit of the DMCA safe harbor, Cox must have reasonably implemented “a policy that provides for the termination in appropriate circumstances” of its subscribers who repeatedly infringe copyrights. 17 U.S.C. § 512(i)(1)(A). We are mindful of the need to afford ISPs flexibility in crafting repeat infringer policies, and of the difficulty of determining when it is “appropriate” to terminate a person’s access to the Internet. At a minimum, however, an ISP has not “reasonably implemented” a repeat infringer policy if the ISP fails to enforce the terms of its policy in any meaningful fashion. See *In re Aimster Copyright Litig.*, 252 F.Supp.2d 634, 659 (N.D. Ill. 2002), *aff’d*, 334 F.3d 643 (7th Cir. 2003) (“Adopting a repeat infringer policy and then purposely eviscerating any hope that such a policy could ever be carried out is not an ‘implementation’ as required by § 512(i).”). Here, Cox formally adopted a repeat infringer “policy,” but, both before and after September 2012, made every effort to avoid reasonably implementing that policy. Indeed,

in carrying out its thirteen-strike process, Cox very clearly determined not to terminate subscribers who in fact repeatedly violated the policy.

The words of Cox's own employees confirm this conclusion. In a 2009 email, Jason Zabek, the executive managing the Abuse Group, a team tasked with addressing subscribers' violations of Cox's policies, explained to his team that "if a customer is terminated for DMCA, you are able to reactivate them," and that "[a]fter you reactivate them the DMCA 'counter' restarts." The email continued, "This is to be an unwritten semi-policy." Zabek also advised a customer service representative asking whether she could reactivate a terminated subscriber that "[i]f it is for DMCA you can go ahead and reactivate." Zabek explained to another representative: "Once the customer has been terminated for DMCA, we have fulfilled the obligation of the DMCA safe harbor and can start over." He elaborated that this would allow Cox to "collect a few extra weeks of payments for their account. ;-)." Another email summarized Cox's practice more succinctly: "DMCA = reactivate." As a result of this practice, from the beginning of the litigated time period until September 2012, Cox never terminated a subscriber for infringement without reactivating them.

Cox nonetheless contends that it lacked "actual knowledge" of its subscribers' infringement and therefore did not have to terminate them. That argument misses the mark. The evidence shows that Cox always reactivated subscribers after termination, regardless of its knowledge of the subscriber's infringement. Cox did not, for example, advise employees not to reactivate a subscriber if the employees had reliable information regarding the subscriber's repeat infringement. An ISP cannot claim the protections of the DMCA safe harbor provisions merely by terminating customers as a symbolic gesture before indiscriminately reactivating them within a short timeframe.

In September 2012, Cox abandoned its practice of routine reactivation. An internal email advised a new customer service representative that "we now terminate, for real." BMG argues, however, that this was a change in form rather than substance, because instead of terminating and then reactivating subscribers, Cox simply stopped terminating them in the first place. The record evidence supports this view. Before September 2012, Cox was terminating (and reactivating) 15.5 subscribers per month on average; after September 2012, Cox abruptly began terminating less than one subscriber per month on average. From September 2012 until the end of October 2014, the month before BMG filed suit, Cox issued only 21 terminations in total. Moreover, at least 17 of those 21 terminations concerned subscribers who had either failed to pay their bills on time or used excessive bandwidth (something that Cox subjected to a strict three-strike termination policy). Cox did not provide evidence that the remaining four terminations were for repeat copyright infringement. But even assuming they were, they stand in stark contrast to the over 500,000 email warnings and temporary suspensions Cox issued to alleged infringers during the same time period.

Moreover, Cox dispensed with terminating subscribers who repeatedly infringed BMG's copyrights in particular when it decided to delete automatically all infringement notices received from BMG's agent, Rightscorp. As a result, Cox received none of the millions of infringement notices that Rightscorp sent to Cox on BMG's behalf during the relevant period. Although our inquiry concerns Cox's policy toward all of its repeatedly infringing subscribers, not just those who infringed BMG's copyrights, Cox's decision to categorically disregard all notices from Rightscorp provides further evidence that Cox did not reasonably implement a repeat infringer policy.

BMG also provided evidence of particular instances in which Cox failed to terminate subscribers whom Cox employees regarded as repeat infringers. For example, one subscriber “was advised to stop sharing ... and remove his PTP programs,” and a Cox employee noted that the subscriber was “well aware of his actions” and was “upset that ‘after years of doing this’ he is now getting caught.” Nonetheless, Cox did not terminate the subscriber. Another customer was advised that “further complaints would result in termination” and that it was the customer’s “absolute last chance to ... remove ALL” file-sharing software. But when Cox received another complaint, a manager directed the employee not to terminate, but rather to “suspend this Customer, one LAST time,” noting that “[t]his customer pays us over \$400/month” and that “[e]very terminated Customer becomes lost revenue.”

Cox responds that these post-September 2012 emails do not necessarily “prove actual knowledge of repeat infringement.” Again, that argument is misplaced. Cox bears the burden of proof on the DMCA safe harbor defense; thus, Cox had to point to evidence showing that it reasonably implemented a repeat infringer policy. The emails show that Cox internally concluded that a subscriber should be terminated after the next strike, but then declined to do so because it did not want to lose revenue. In other words, Cox failed to follow through on its own policy. Cox argues that these emails only concerned “four cases,” and that “occasional lapses” are forgivable. But even four cases are significant when measured against Cox’s equally small total number of relevant terminations in this period—also four. More importantly, Cox did not produce any evidence of instances in which it did follow through on its policy and terminate subscribers after giving them a final warning to stop infringing.

In addition, Cox suggests that because the DMCA merely requires termination of repeat infringers in “appropriate circumstances,” Cox decided not to terminate certain subscribers only when “appropriate circumstances” were lacking. But Cox failed to provide evidence that a determination of “appropriate circumstances” played any role in its decisions to terminate (or not to terminate). Cox did not, for example, point to any criteria that its employees used to determine whether “appropriate circumstances” for termination existed. Instead, the evidence shows that Cox’s decisions not to terminate had nothing to do with “appropriate circumstances” but instead were based on one goal: not losing revenue from paying subscribers.

Cox failed to qualify for the DMCA safe harbor because it failed to implement its policy in any consistent or meaningful way—leaving it essentially with no policy. Accordingly, the district court did not err in holding that Cox failed to offer evidence supporting its entitlement to the § 512(a) safe harbor defense and therefore granting summary judgment on this issue to BMG.

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## Check Your Understanding – *BMG Rts. Mgmt.*

**Question 1.** Why was Cox denied the benefit of the DMCA safe harbor?



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## FOOTNOTES:

<sup>1</sup> Sometimes referred to as online service providers (“OSPs”).

<sup>2</sup> As discussed in *Skidmore as Tr. for Randy Craig Wolfe Tr. v. Led Zeppelin*, a decision that appears earlier in this casebook, sound recordings did not become subject to federal copyright protection until 1972, and then only for the sound recordings fixed on or after February 15, 1972. 17 U.S.C. § 301(c).

<sup>3</sup> 676 F.3d 19 (2d Cir. 2012).

<sup>4</sup> 718 F.3d 1006 (9th Cir. 2013).

<sup>5</sup> 873 F.3d 1045, 1052–57 (9th Cir. 2017).

<sup>6</sup> 676 F.3d 19, 39 (2d Cir. 2012).

<sup>7</sup> *UMG Recordings, Inc. v. Shelter Capital Partners, LLC*, 718 F.3d 1006, 1020 (9th Cir. 2013) (quoting *Corbis Corp. v. Amazon.com, Inc.*, 351 F.Supp.2d 1090, 1107 (W.D. Wash. 2004) ) (citing *Io Grp., Inc. v. Veoh Networks, Inc.*, 586 F.Supp.2d 1132, 1148 (N.D. Cal. 2008) ); see also 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 12B.04[A][3], at 12B-94 (rev. ed. 2017) (“NIMMER”).

<sup>8</sup> See *UMG Recordings, Inc. v. Shelter Capital Partners LLC*, 718 F.3d 1006, 1021–22 (9th Cir. 2013); *Capitol Records, LLC v. Vimeo, LLC*, 826 F.3d 78, 93 (2d Cir. 2016); *Viacom Int’l, Inc. v. YouTube, Inc.*, 676 F.3d 19, 31 (2d Cir. 2012).

# Chapter 12: Fair Use

Section 106, which sets forth the exclusive rights of copyright owners, specifically provides that these rights are “[s]ubject to sections 107 through 122” of the Act, which set forth various limitations and defenses to an assertion of copyright infringement.

Perhaps the most significant of these limitations, and certainly the most litigated, is the fair use defense as provided for in § 107 of the Act:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, 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.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

In assessing fair use, courts rely heavily on the four factors set forth in the statute. The first and fourth factors tend to be the most important considerations, while the courts often downplay the role of the second factor. In assessing the first factor, courts often focus on the “transformativeness” of the accused use, whether that use was commercial in nature, and whether the use was educational or in furtherance of some other social benefit. The fourth factor considers harm to the market for both the original work and derivative versions of the original, an issue addressed in the most recent Supreme Court decision addressing fair use, *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith* (excerpted below).

In *Eldred v. Ashcroft*, a Supreme Court decision that appeared earlier in this casebook, Justice Ginsburg referred to fair use as a “built-in ... safeguard” of the principles of free speech enshrined in the First Amendment.<sup>1</sup> She notes that the fair use defense allows the public to use not only facts and ideas contained in a copyrighted work, but also expression itself in certain circumstances, and affords considerable “latitude for scholarship and comment.”

The following cases analyze the fair use defense in a variety of contexts. When reading these cases you might find the outcomes variable, if not outright inconsistent. You are not alone—fair use is a notoriously



hazy area of the law. Professor Paul Goldstein has described fair use as “the great white whale of American copyright law. Enthralling, enigmatic, protean, it endlessly fascinates us even as it defeats our every attempt to subdue it.”<sup>2</sup> Your goal at this point is to recognize the main doctrines and arguments that come into play when the court addresses an accused infringer’s assertion of fair use.

Some things to consider when reading *Campbell*:

1. The case arose out of the rap group 2 Live Crew’s decision to release an unauthorized, arguably parodic version of the famous 1960s rock ballad *Oh, Pretty Woman*. 2 Live Crew argued that its use was fair use. The Sixth Circuit held that it was not fair use, and the Supreme Court granted certiorari.
2. What was the error the Sixth Circuit made, according to the Supreme Court?
3. Note the Court’s emphasis on the first fair use factor, particularly the importance of whether a use is transformative. Once the Court found transformativeness, did it effectively render the other factors irrelevant?
4. Understand the distinction between satire and parody, as explained by the Court, and why it matters in terms of the first fair use factor.
5. Understand the distinction between a parodic and nonparodic rap version of *Oh, Pretty Woman*, and why it matters for purposes of the fourth fair use factor.
6. In applying factor 4, the Court investigates “market substitution.” Which markets are relevant to this analysis?
7. For close to 30 years, *Campbell* constituted the Supreme Court’s last word on fair use, and has been a very influential decision. The fair use landscape has shifted somewhat recently, thanks to Supreme Court decisions addressing fair use in 2021 and 2023, *Google v. Oracle* and *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, both of which appear later in this section of the casebook.

### *Campbell v. Acuff-Rose Music, Inc.*

510 U.S. 569 (1994)

Justice SOUTER delivered the opinion of the Court.

We are called upon to decide whether 2 Live Crew’s commercial parody of Roy Orbison’s song, “Oh, Pretty Woman,” may be a fair use within the meaning of the Copyright Act of 1976, 17 U.S.C. § 107. Although the District Court granted summary judgment for 2 Live Crew, the Court of Appeals reversed, holding the defense of fair use barred by the song’s commercial character and excessive borrowing. Because we hold that a parody’s commercial character is only one element to be weighed in a fair use enquiry, and that insufficient consideration was given to the nature of parody in weighing the degree of copying, we reverse and remand.

## I

In 1964, Roy Orbison and William Dees wrote a rock ballad called “Oh, Pretty Woman” and assigned their rights in it to respondent Acuff–Rose Music, Inc. Acuff–Rose registered the song for copyright protection.

Petitioners Luther R. Campbell, Christopher Wongwon, Mark Ross, and David Hobbs are collectively known as 2 Live Crew, a popular rap music group. In 1989, Campbell wrote a song entitled “Pretty Woman,” which he later described in an affidavit as intended, “through comical lyrics, to satirize the original work...” On July 5, 1989, 2 Live Crew’s manager informed Acuff–Rose that 2 Live Crew had written a parody of “Oh, Pretty Woman,” that they would afford all credit for ownership and authorship of the original song to Acuff–Rose, Dees, and Orbison, and that they were willing to pay a fee for the use they wished to make of it. Enclosed with the letter were a copy of the lyrics and a recording of 2 Live Crew’s song.—Rose’s agent refused permission, stating that “I am aware of the success enjoyed by ‘The 2 Live Crews’, but I must inform you that we cannot permit the use of a parody of ‘Oh, Pretty Woman.’” Nonetheless, in June or July 1989, 2 Live Crew released records, cassette tapes, and compact discs of “Pretty Woman” in a collection of songs entitled “As Clean As They Wanna Be.” The albums and compact discs identify the authors of “Pretty Woman” as Orbison and Dees and its publisher as Acuff–Rose.

Almost a year later, after nearly a quarter of a million copies of the recording had been sold, Acuff–Rose sued 2 Live Crew and its record company, Luke Skywalker Records, for copyright infringement. The District Court granted summary judgment for 2 Live Crew, reasoning that the commercial purpose of 2 Live Crew’s song was no bar to fair use; that 2 Live Crew’s version was a parody, which “quickly degenerates into a play on words, substituting predictable lyrics with shocking ones” to show “how bland and banal the Orbison song” is; that 2 Live Crew had taken no more than was necessary to “conjure up” the original in order to parody it; and that it was “extremely unlikely that 2 Live Crew’s song could adversely affect the market for the original.” The District Court weighed these factors and held that 2 Live Crew’s song made fair use of Orbison’s original.

The Court of Appeals for the Sixth Circuit reversed and remanded. Although it assumed for the purpose of its opinion that 2 Live Crew’s song was a parody of the Orbison original, the Court of Appeals thought the District Court had put too little emphasis on the fact that “every commercial use ... is presumptively ... unfair,” *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), and it held that “the admittedly commercial nature” of the parody “requires the conclusion” that the first of four factors relevant under the statute weighs against a finding of fair use. Next, the Court of Appeals determined that, by “taking the heart of the original and making it the heart of a new work,” 2 Live Crew had, qualitatively, taken too much. Finally, after noting that the effect on the potential market for the original (and the market for derivative works) is “undoubtedly the single most important element of fair use,” *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 471 U.S. 539 (1985), the Court of Appeals faulted the District Court for “refus[ing] to indulge the presumption” that “harm for purposes of the fair use analysis has been established by the presumption attaching to commercial uses.” In sum, the court concluded that its “blatantly commercial purpose ... prevents this parody from being a fair use.”

We granted certiorari, to determine whether 2 Live Crew’s commercial parody could be a fair use.

## II

It is uncontested here that 2 Live Crew’s song would be an infringement of Acuff–Rose’s rights in “Oh, Pretty

Woman,” under the Copyright Act of 1976, 17 U.S.C. § 106, but for a finding of fair use through parody.<sup>3</sup> From the infancy of copyright protection, some opportunity for fair use of copyrighted materials has been thought necessary to fulfill copyright’s very purpose, “[t]o promote the Progress of Science and useful Arts...” U.S. Const., Art. I, § 8, cl. 8.

In *Folsom v. Marsh*, Justice Story distilled the essence of law and methodology from the earlier cases: “look to the nature and objects of the selections made, the quantity and value of the materials used, and the degree in which the use may prejudice the sale, or diminish the profits, or supersede the objects, of the original work.” Thus expressed, fair use remained exclusively judge-made doctrine until the passage of the 1976 Copyright Act, in which Justice Story’s summary is discernible:

“§ 107. Limitations on exclusive rights: Fair use

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, 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.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

Congress meant § 107 to restate the present judicial doctrine of fair use, not to change, narrow, or enlarge it in any way and intended that courts continue the common-law tradition of fair use adjudication. The fair use doctrine thus permits and requires courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.

The task is not to be simplified with bright-line rules, for the statute, like the doctrine it recognizes, calls for case-by-case analysis.

## A

The first factor in a fair use enquiry is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” The enquiry here may be guided by the examples given in the preamble to § 107, looking to whether the use is for criticism, or comment, or news reporting, and the like. The central purpose of this investigation is to see, in Justice Story’s words, whether

the new work merely “supersede[s] the objects” of the original creation, or instead adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message; it asks, in other words, whether and to what extent the new work is “transformative.” Although such transformative use is not absolutely necessary for a finding of fair use, the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works. Such works thus lie at the heart of the fair use doctrine’s guarantee of breathing space within the confines of copyright, and the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use.

Parody has an obvious claim to transformative value, as Acuff–Rose itself does not deny. Like less ostensibly humorous forms of criticism, it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one. Parody like other comment or criticism, may claim fair use under § 107.

Modern dictionaries describe a parody as a “literary or artistic work that imitates the characteristic style of an author or a work for comic effect or ridicule,” or as a “composition in prose or verse in which the characteristic turns of thought and phrase in an author or class of authors are imitated in such a way as to make them appear ridiculous.” For the purposes of copyright law, the nub of the definitions, and the heart of any parodist’s claim to quote from existing material, is the use of some elements of a prior author’s composition to create a new one that, at least in part, comments on that author’s works. If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another’s work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger. Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.

The fact that parody can claim legitimacy for some appropriation does not, of course, tell either parodist or judge much about where to draw the line. Like a book review quoting the copyrighted material criticized, parody may or may not be fair use, and petitioners’ suggestion that any parodic use is presumptively fair has no more justification in law or fact than the equally hopeful claim that any use for news reporting should be presumed fair. The Act has no hint of an evidentiary preference for parodists over their victims, and no workable presumption for parody could take account of the fact that parody often shades into satire when society is lampooned through its creative artifacts, or that a work may contain both parodic and nonparodic elements. Accordingly, parody, like any other use, has to work its way through the relevant factors, and be judged case by case, in light of the ends of the copyright law.

Here, the District Court held, and the Court of Appeals assumed, that 2 Live Crew’s “Pretty Woman” contains parody, commenting on and criticizing the original work, whatever it may have to say about society at large. As the District Court remarked, the words of 2 Live Crew’s song copy the original’s first line, but then quickly degenerate into a play on words, substituting predictable lyrics with shocking ones that derisively demonstrate how bland and banal the Orbison song seems to them. Judge Nelson, dissenting below, came to the same conclusion, that the 2 Live Crew song was clearly intended to ridicule the white-bread original and reminds us that sexual congress with nameless streetwalkers is not necessarily the stuff of romance and is not necessarily without its consequences. The singers (there are several) have the same thing on their minds as did the lonely man with the nasal voice, but here there is no hint of wine and roses. Although the

majority below had difficulty discerning any criticism of the original in 2 Live Crew's song, it assumed for purposes of its opinion that there was some.

We have less difficulty in finding that critical element in 2 Live Crew's song than the Court of Appeals did, although having found it we will not take the further step of evaluating its quality. The threshold question when fair use is raised in defense of parody is whether a parodic character may reasonably be perceived. Whether, going beyond that, parody is in good taste or bad does not and should not matter to fair use. As Justice Holmes explained,

It would be a dangerous undertaking for persons trained only to the law to constitute themselves final judges of the worth of [a work], outside of the narrowest and most obvious limits. At the one extreme some works of genius would be sure to miss appreciation. Their very novelty would make them repulsive until the public had learned the new language in which their author spoke.

*Bleistein v. Donaldson Lithographing Co.*, 188 U.S. 239 (1903).

While we might not assign a high rank to the parodic element here, we think it fair to say that 2 Live Crew's song reasonably could be perceived as commenting on the original or criticizing it, to some degree. 2 Live Crew juxtaposes the romantic musings of a man whose fantasy comes true, with degrading taunts, a bawdy demand for sex, and a sigh of relief from paternal responsibility. The later words can be taken as a comment on the naiveté of the original of an earlier day, as a rejection of its sentiment that ignores the ugliness of street life and the debasement that it signifies. It is this joinder of reference and ridicule that marks off the author's choice of parody from the other types of comment and criticism that traditionally have had a claim to fair use protection as transformative works.

The Court of Appeals, however, immediately cut short the enquiry into 2 Live Crew's fair use claim by confining its treatment of the first factor essentially to one relevant fact, the commercial nature of the use. In giving virtually dispositive weight to the commercial nature of the parody, the Court of Appeals erred.

The language of the statute makes clear that the commercial or nonprofit educational purpose of a work is only one element of the first factor enquiry into its purpose and character. Section 107(1) uses the term "including" to begin the dependent clause referring to commercial use, and the main clause speaks of a broader investigation into "purpose and character." Accordingly, the mere fact that a use is educational and not for profit does not insulate it from a finding of infringement, any more than the commercial character of a use bars a finding of fairness. If, indeed, commerciality carried presumptive force against a finding of fairness, the presumption would swallow nearly all of the illustrative uses listed in the preamble paragraph of § 107, including news reporting, comment, criticism, teaching, scholarship, and research, since these activities "are generally conducted for profit in this country." Congress could not have intended such a rule, which certainly is not inferable from the common-law cases, arising as they did from the world of letters in which Samuel Johnson could pronounce that "[n]o man but a blockhead ever wrote, except for money."

## B

The second statutory factor, "the nature of the copyrighted work," calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied. See, e.g., *Stewart v. Abend*, 495 U.S., at 237–238

(contrasting fictional short story with factual works); *Harper & Row*, 471 U.S., at 563–564 (contrasting soon-to-be-published memoir with published speech); *Sony*, 464 U.S., at 455, n. 40 (contrasting motion pictures with news broadcasts); *Feist*, 499 U.S., at 348–351 (contrasting creative works with bare factual compilations). We agree with both the District Court and the Court of Appeals that the Orbison original’s creative expression for public dissemination falls within the core of the copyright’s protective purposes. This fact, however, is not much help in this case, or ever likely to help much in separating the fair use sheep from the infringing goats in a parody case, since parodies almost invariably copy publicly known, expressive works.

## C

The third factor asks whether “the amount and substantiality of the portion used in relation to the copyrighted work as a whole” are reasonable in relation to the purpose of the copying. Here, attention turns to the persuasiveness of a parodist’s justification for the particular copying done, and the enquiry will harken back to the first of the statutory factors, for, as in prior cases, we recognize that the extent of permissible copying varies with the purpose and character of the use. The facts bearing on this factor will also tend to address the fourth, by revealing the degree to which the parody may serve as a market substitute for the original or potentially licensed derivatives.

This factor calls for thought not only about the quantity of the materials used, but about their quality and importance, too. In *Harper & Row*, for example, the Nation had taken only some 300 words out of President Ford’s memoirs, but we signaled the significance of the quotations in finding them to amount to “the heart of the book,” the part most likely to be newsworthy and important in licensing serialization. We agree with the Court of Appeals that whether “a substantial portion of the infringing work was copied verbatim” from the copyrighted work is a relevant question, for it may reveal a dearth of transformative character or purpose under the first factor, or a greater likelihood of market harm under the fourth; a work composed primarily of an original, particularly its heart, with little added or changed, is more likely to be a merely superseding use, fulfilling demand for the original.

Where we part company with the court below is in applying these guides to parody, and in particular to parody in the song before us. Parody presents a difficult case. Parody’s humor, or in any event its comment, necessarily springs from recognizable allusion to its object through distorted imitation. Its art lies in the tension between a known original and its parodic twin. When parody takes aim at a particular original work, the parody must be able to conjure up at least enough of that original to make the object of its critical wit recognizable. What makes for this recognition is quotation of the original’s most distinctive or memorable features, which the parodist can be sure the audience will know. Once enough has been taken to assure identification, how much more is reasonable will depend, say, on the extent to which the song’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. But using some characteristic features cannot be avoided.

We think the Court of Appeals was insufficiently appreciative of parody’s need for the recognizable sight or sound when it ruled 2 Live Crew’s use unreasonable as a matter of law. It is true, of course, that 2 Live Crew copied the characteristic opening bass riff (or musical phrase) of the original, and true that the words of the first line copy the Orbison lyrics. But if quotation of the opening riff and the first line may be said to go to the “heart” of the original, the heart is also what most readily conjures up the song for parody, and it is the heart at which parody takes aim. Copying does not become excessive in relation to parodic purpose merely

because the portion taken was the original's heart. If 2 Live Crew had copied a significantly less memorable part of the original, it is difficult to see how its parodic character would have come through.

This is not, of course, to say that anyone who calls himself a parodist can skim the cream and get away scot free. In parody, as in news reporting, context is everything, and the question of fairness asks what else the parodist did besides go to the heart of the original. It is significant that 2 Live Crew not only copied the first line of the original, but thereafter departed markedly from the Orbison lyrics for its own ends. 2 Live Crew not only copied the bass riff and repeated it, but also produced otherwise distinctive sounds, interposing "scraper" noise, overlaying the music with solos in different keys, and altering the drum beat. This is not a case, then, where "a substantial portion" of the parody itself is composed of a "verbatim" copying of the original. It is not, that is, a case where the parody is so insubstantial, as compared to the copying, that the third factor must be resolved as a matter of law against the parodists.

Suffice it to say here that, as to the lyrics, we think the Court of Appeals correctly suggested that "no more was taken than necessary," but just for that reason, we fail to see how the copying can be excessive in relation to its parodic purpose, even if the portion taken is the original's "heart." As to the music, we express no opinion whether repetition of the bass riff is excessive copying, and we remand to permit evaluation of the amount taken, in light of the song's parodic purpose and character, its transformative elements, and considerations of the potential for market substitution sketched more fully below.

#### D

The fourth fair use factor is "the effect of the use upon the potential market for or value of the copyrighted work." It requires courts to consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also whether unrestricted and widespread conduct of the sort engaged in by the defendant would result in a substantially adverse impact on the potential market for the original. The enquiry "must take account not only of harm to the original but also of harm to the market for derivative works."

Since fair use is an affirmative defense, its proponent would have difficulty carrying the burden of demonstrating fair use without favorable evidence about relevant markets. In moving for summary judgment, 2 Live Crew left themselves at just such a disadvantage when they failed to address the effect on the market for rap derivatives, and confined themselves to uncontroverted submissions that there was no likely effect on the market for the original. They did not, however, thereby subject themselves to the evidentiary presumption applied by the Court of Appeals. In assessing the likelihood of significant market harm, the Court of Appeals quoted from language in *Sony* that "if the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated." The court reasoned that because the use of the copyrighted work is wholly commercial, we presume that a likelihood of future harm to Acuff-Rose exists." In so doing, the court resolved the fourth factor against 2 Live Crew, just as it had the first, by applying a presumption about the effect of commercial use, a presumption which as applied here we hold to be error.

No "presumption" or inference of market harm that might find support in *Sony* is applicable to a case involving something beyond mere duplication for commercial purposes. *Sony's* discussion of a presumption contrasts a context of verbatim copying of the original in its entirety for commercial purposes, with

the noncommercial context of Sony itself (home copying of television programming). In the former circumstances, what Sony said simply makes common sense: when a commercial use amounts to mere duplication of the entirety of an original, it clearly supersedes the objects of the original and serves as a market replacement for it, making it likely that cognizable market harm to the original will occur. But when, on the contrary, the second use is transformative, market substitution is at least less certain, and market harm may not be so readily inferred. Indeed, as to parody pure and simple, it is more likely that the new work will not affect the market for the original in a way cognizable under this factor, that is, by acting as a substitute for it.

We do not, of course, suggest that a parody may not harm the market at all, but when a lethal parody, like a scathing theater review, kills demand for the original, it does not produce a harm cognizable under the Copyright Act. Because parody may quite legitimately aim at garroting the original, destroying it commercially as well as artistically, the role of the courts is to distinguish between biting criticism that merely suppresses demand and copyright infringement, which usurps it.

This distinction between potentially remediable displacement and unremediable disparagement is reflected in the rule that there is no protectible derivative market for criticism. The market for potential derivative uses includes only those that creators of original works would in general develop or license others to develop. Yet the unlikelihood that creators of imaginative works will license critical reviews or lampoons of their own productions removes such uses from the very notion of a potential licensing market.

In explaining why the law recognizes no derivative market for critical works, including parody, we have, of course, been speaking of the later work as if it had nothing but a critical aspect. But the later work may have a more complex character, with effects not only in the arena of criticism but also in protectible markets for derivative works, too. In that sort of case, the law looks beyond the criticism to the other elements of the work, as it does here. 2 Live Crew's song comprises not only parody but also rap music, and the derivative market for rap music is a proper focus of enquiry. Evidence of substantial harm to it would weigh against a finding of fair use, because the licensing of derivatives is an important economic incentive to the creation of originals.

Although 2 Live Crew submitted uncontroverted affidavits on the question of market harm to the original, neither they, nor Acuff-Rose, introduced evidence or affidavits addressing the likely effect of 2 Live Crew's parodic rap song on the market for a nonparody, rap version of "Oh, Pretty Woman." And while Acuff-Rose would have us find evidence of a rap market in the very facts that 2 Live Crew recorded a rap parody of "Oh, Pretty Woman" and another rap group sought a license to record a rap derivative, there was no evidence that a potential rap market was harmed in any way by 2 Live Crew's parody, rap version. [It] is impossible to deal with the fourth factor except by recognizing that a silent record on an important factor bearing on fair use disintitled the proponent of the defense, 2 Live Crew, to summary judgment. The evidentiary hole will doubtless be plugged on remand.

### III

It was error for the Court of Appeals to conclude that the commercial nature of 2 Live Crew's parody of "Oh,



Pretty Woman” rendered it presumptively unfair. No such evidentiary presumption is available to address either the first factor, the character and purpose of the use, or the fourth, market harm, in determining whether a transformative use, such as parody, is a fair one. The court also erred in holding that 2 Live Crew had necessarily copied excessively from the Orbison original, considering the parodic purpose of the use. We therefore reverse the judgment of the Court of Appeals and remand the case for further proceedings consistent with this opinion.

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## Check Your Understanding – *Campbell*

**Question 1.** According to *Campbell*, what is the significance of a court’s determination that the purpose and character of an otherwise infringing use is “transformative”?



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<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-115>

**Question 2.** Which of the following is always treated as fair use?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-116>

Some things to consider when reading *Sony*:

1. The portion of this decision addressing the question of indirect infringement appeared earlier in this book.
2. The excerpt of *Sony* presented here focuses on whether consumers’ use of the VTR to record copyrighted television broadcasts is fair use. The Court finds that much of this recording is for the purpose of “time-shifting,” i.e., so that the consumer can watch the television broadcast at a later time. Take particular note of how the Court applies the four fair use factors, and the policy concerns expressed by the Court.
3. Note the Court’s emphasis on “the commercial and nonprofit character of an activity” in analyzing the first and fourth factors, and its statement that at least some “commercial or profit-making” uses are presumptively unfair. Recall that in *Campbell* the Court pulled back from that position, holding that “[n]o such evidentiary presumption is available to address either the first factor, the character and

purpose of the use, or the fourth, market harm, in determining whether a transformative use, such as parody, is a fair one.”

4. Ask yourself what the difference is between a transformative use (like the parody at issue in *Campbell*) and a productive use (as discussed by the Sony dissent).
5. What do you think about the majority’s conclusion that the evidence of record did not establish a meaningful likelihood of future harm, and the dissent’s critique of that conclusion?

## *Sony Corp. v. Universal City Studios, Inc.*

464 U.S. 417 (1984)

Justice STEVENS delivered the opinion of the Court.

*[Editor’s note: Facts and indirect infringement aspects of this decision appear earlier in this casebook. The following excerpt addresses the question of whether unauthorized time-shifting is fair use. The Court of Appeals concluded as a matter of law that the home use of a VTR was not a fair use because it was not a “productive use.”]*

### IV

#### **B. Unauthorized Time-Shifting**

Even unauthorized uses of a copyrighted work are not necessarily infringing. An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute. Moreover, the definition of exclusive rights in § 106 of the present Act is prefaced by the words “subject to sections 107 through 118.” Those sections describe a variety of uses of copyrighted material that “are not infringements of copyright notwithstanding the provisions of § 106.” The most pertinent in this case is § 107, the legislative endorsement of the doctrine of “fair use.”

That section identifies various factors that enable a Court to apply an “equitable rule of reason” analysis to particular claims of infringement. Although not conclusive, the first factor requires that “the commercial or nonprofit character of an activity” be weighed in any fair use decision. If the Betamax were used to make copies for a commercial or profit-making purpose, such use would presumptively be unfair. The contrary presumption is appropriate here, however, because the District Court’s findings plainly establish that time-shifting for private home use must be characterized as a noncommercial, nonprofit activity. Moreover, when one considers the nature of a televised copyrighted audiovisual work, and that timeshifting merely enables a viewer to see such a work which he had been invited to witness in its entirety free of charge, the fact that the entire work is reproduced does not have its ordinary effect of militating against a finding of fair use.

This is not, however, the end of the inquiry because Congress has also directed us to consider “the effect of the use upon the potential market for or value of the copyrighted work.” The purpose of copyright is to create incentives for creative effort. Even copying for noncommercial purposes may impair the copyright holder’s ability to obtain the rewards that Congress intended him to have. But a use that has no demonstrable effect upon the potential market for, or the value of, the copyrighted work need not be

prohibited in order to protect the author's incentive to create. The prohibition of such noncommercial uses would merely inhibit access to ideas without any countervailing benefit.

Thus, although every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright, noncommercial uses are a different matter. A challenge to a noncommercial use of a copyrighted work requires proof either that the particular use is harmful, or that if it should become widespread, it would adversely affect the potential market for the copyrighted work. Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists. If the intended use is for commercial gain, that likelihood may be presumed. But if it is for a noncommercial purpose, the likelihood must be demonstrated.

In this case, respondents failed to carry their burden with regard to home time-shifting. The District Court described respondents' evidence as follows:

Plaintiffs' experts admitted at several points in the trial that the time-shifting without librarying would result in "not a great deal of harm." Plaintiffs' greatest concern about time-shifting is with "a point of important philosophy that transcends even commercial judgment." They fear that with any Betamax usage, "invisible boundaries" are passed: "the copyright owner has lost control over his program."

Later in its opinion, the District Court observed:

Most of plaintiffs' predictions of harm hinge on speculation about audience viewing patterns and ratings, a measurement system which Sidney Sheinberg, MCA's president, calls a "black art" because of the significant level of imprecision involved in the calculations.

There was no need for the District Court to say much about past harm. "Plaintiffs have admitted that no actual harm to their copyrights has occurred to date."

On the question of potential future harm from time-shifting, the District Court offered a more detailed analysis of the evidence. It rejected respondents' "fear that persons 'watching' the original telecast of a program will not be measured in the live audience and the ratings and revenues will decrease," by observing that current measurement technology allows the Betamax audience to be reflected. It rejected respondents' prediction "that live television or movie audiences will decrease as more people watch Betamax tapes as an alternative," with the observation that "[t]here is no factual basis for [the underlying] assumption." It rejected respondents' "fear that time-shifting will reduce audiences for telecast reruns," and concluded instead that "given current market practices, this should aid plaintiffs rather than harm them." And it declared that respondents' suggestion "that theater or film rental exhibition of a program will suffer because of time-shift recording of that program" "lacks merit."

After completing that review, the District Court restated its overall conclusion several times, in several different ways. "Harm from time-shifting is speculative and, at best, minimal." "The audience benefits from the time-shifting capability have already been discussed. It is not implausible that benefits could also accrue to plaintiffs, broadcasters, and advertisers, as the Betamax makes it possible for more persons to view

their broadcasts.” “No likelihood of harm was shown at trial, and plaintiffs admitted that there had been no actual harm to date.” “Testimony at trial suggested that Betamax may require adjustments in marketing strategy, but it did not establish even a likelihood of harm.” “Television production by plaintiffs today is more profitable than it has ever been, and, in five weeks of trial, there was no concrete evidence to suggest that the Betamax will change the studios’ financial picture.”

The District Court’s conclusions are buttressed by the fact that to the extent time-shifting expands public access to freely broadcast television programs, it yields societal benefits. Earlier this year, in *Community Television of Southern California v. Gottfried*, S.Ct. 885, 891–892 (1983), we acknowledged the public interest in making television broadcasting more available. Concededly, that interest is not unlimited. But it supports an interpretation of the concept of “fair use” that requires the copyright holder to demonstrate some likelihood of harm before he may condemn a private act of time-shifting as a violation of federal law.

When these factors are all weighed in the “equitable rule of reason” balance, we must conclude that this record amply supports the District Court’s conclusion that home time-shifting is fair use.

**Justice BLACKMUN, with whom Justice MARSHALL, Justice POWELL, and Justice REHNQUIST join, dissenting.**

Copyright is based on the belief that by granting authors the exclusive rights to reproduce their works, they are given an incentive to create, and that encouragement of individual effort by personal gain is the best way to advance public welfare through the talents of authors and inventors in “Science and the useful Arts.” The monopoly created by copyright thus rewards the individual author in order to benefit the public.

There are situations, nevertheless, in which strict enforcement of this monopoly would inhibit the very “Progress of Science and useful Arts” that copyright is intended to promote. An obvious example is the researcher or scholar whose own work depends on the ability to refer to and to quote the work of prior scholars. Obviously, no author could create a new work if he were first required to repeat the research of every author who had gone before him. The scholar, like the ordinary user, of course could be left to bargain with each copyright owner for permission to quote from or refer to prior works. But there is a crucial difference between the scholar and the ordinary user. When the ordinary user decides that the owner’s price is too high, and forgoes use of the work, only the individual is the loser. When the scholar forgoes the use of a prior work, not only does his own work suffer, but the public is deprived of his contribution to knowledge. The scholar’s work, in other words, produces external benefits from which everyone profits. In such a case, the fair use doctrine acts as a form of subsidy—albeit at the first author’s expense—to permit the second author to make limited use of the first author’s work for the public good.

A similar subsidy may be appropriate in a range of areas other than pure scholarship. The situations in which fair use is most commonly recognized are listed in § 107 itself; fair use may be found when a work is used “for purposes such as criticism, comment, news reporting, teaching, ... scholarship, or research.” Each of these uses, however, reflects a common theme: each is a productive use, resulting in some added benefit to the public beyond that produced by the first author’s work. The fair use doctrine, in other words, permits works to be used for “socially laudable purposes.” I am aware of no case in which the reproduction of a copyrighted work for the sole benefit of the user has been held to be fair use.

I do not suggest, of course, that every productive use is a fair use. A finding of fair use still must depend on

the facts of the individual case, and on whether, under the circumstances, it is reasonable to expect the user to bargain with the copyright owner for use of the work. The fair use doctrine must strike a balance between the dual risks created by the copyright system: on the one hand, that depriving authors of their monopoly will reduce their incentive to create, and, on the other, that granting authors a complete monopoly will reduce the creative ability of others. But when a user reproduces an entire work and uses it for its original purpose, with no added benefit to the public, the doctrine of fair use usually does not apply. There is then no need whatsoever to provide the ordinary user with a fair use subsidy at the author's expense.

The making of a videotape recording for home viewing is an ordinary rather than a productive use of the Studios' copyrighted works. Copyright gives the author a right to limit or even to cut off access to his work. A VTR recording creates no public benefit sufficient to justify limiting this right.

It may be tempting, as, in my view, the Court today is tempted, to stretch the doctrine of fair use so as to permit unfettered use of this new technology in order to increase access to television programming. But such an extension risks eroding the very basis of copyright law, by depriving authors of control over their works and consequently of their incentive to create.

...

I recognize, nevertheless, that there are situations where permitting even an unproductive use would have no effect on the author's incentive to create, that is, where the use would not affect the value of, or the market for, the author's work. Photocopying an old newspaper clipping to send to a friend may be an example; pinning a quotation on one's bulletin board may be another. In each of these cases, the effect on the author is truly *de minimis*. Thus, even though these uses provide no benefit to the public at large, no purpose is served by preserving the author's monopoly, and the use may be regarded as fair.

The Studios have identified a number of ways in which VTR recording could damage their copyrights. VTR recording could reduce their ability to market their works in movie theaters and through the rental or sale of pre-recorded videotapes or videodiscs; it also could reduce their rerun audience, and consequently the license fees available to them for repeated showings. Moreover, advertisers may be willing to pay for only "live" viewing audiences, if they believe VTR viewers will delete commercials or if rating services are unable to measure VTR use; if this is the case, VTR recording could reduce the license fees the Studios are able to charge even for first-run showings. Library-building may raise the potential for each of the types of harm identified by the Studios, and time-shifting may raise the potential for substantial harm as well.

...

The Court confidently describes time-shifting as a noncommercial, nonprofit activity. It is clear, however, that personal use of programs that have been copied without permission is not what § 107(1) protects. The intent of the section is to encourage users to engage in activities the primary benefit of which accrues to others. Time-shifting involves no such humanitarian impulse. It is likewise something of a mischaracterization of time-shifting to describe it as noncommercial in the sense that that term is used in the statute. As one commentator has observed, time-shifting is noncommercial in the same sense that stealing jewelry and wearing it—instead of reselling it—is noncommercial. Purely consumptive uses are certainly not what the fair use doctrine was designed to protect, and the awkwardness of applying the

statutory language to time-shifting only makes clearer that fair use was designed to protect only uses that are productive.

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## Check Your Understanding – Sony

**Question 1.** What factors led the Sony Court to conclude that the record supported the district court’s conclusion that home time-shifting is fair use?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=186#h5p-117>

Some things to consider when reading *Author’s Guild*:

1. In this case, Google has been sued by the owners of copyrights in books, based on the unauthorized copying of books that occurred in connection with Google’s Library Project and its Google Books project. The decision provides a good description of these projects, and the massive amount of unauthorized copying that occurred. There is no doubt that Google’s actions constitute copyright infringement in the absence of a fair use defense.
2. Make note of all the steps Google took to try to ensure that its actions constitute fair use.
3. Understand the court’s fair use analysis, which is largely based on *Campbell*. Pay particular attention to the court’s focus on the purpose behind Google’s copying of the books and its use of the copies, such as the indexing and the display of “snippets.”
4. As noted by the court, in this case Google “test[ed] the boundaries of fair use.”
5. This decision could be particularly relevant to the question of whether the massive copying that has occurred for the purposes of training generative artificial intelligence (AI) models can be defended as fair use, a topic that is addressed in the generative AI section of this casebook.
6. On what basis does the court conclude that Google’s purpose was transformative?
7. How were the facts different in this case than in the earlier *HathiTrust* decision?
8. Note the court’s distinction between a “transformative” fair use of the plaintiff’s work and an infringing derivative work that “transformed” the original. These two different legal meanings of “transform” will be relevant in the *Andy Warhol* decision that appears later in this section.

## *Authors Guild v. Google, Inc.*

804 F.3d 202 (2d Cir. 2015)

LEVAL, Circuit Judge:

This copyright dispute tests the boundaries of fair use. Plaintiffs, who are authors of published books under copyright, sued Google, Inc. (“Google”) for copyright infringement in the United States District Court for the Southern District of New York. They appeal from the grant of summary judgment in Google’s favor. Through its Library Project and its Google Books project, acting without permission of rights holders, Google has made digital copies of tens of millions of books, including Plaintiffs’, that were submitted to it for that purpose by major libraries. Google has scanned the digital copies and established a publicly available search function. An Internet user can use this function to search without charge to determine whether the book contains a specified word or term and also see “snippets” of text containing the searched-for terms. In addition, Google has allowed the participating libraries to download and retain digital copies of the books they submit, under agreements which commit the libraries not to use their digital copies in violation of the copyright laws. These activities of Google are alleged to constitute infringement of Plaintiffs’ copyrights. Plaintiffs sought injunctive and declaratory relief as well as damages.

Google defended on the ground that its actions constitute “fair use,” which, under 17 U.S.C. § 107, is “not an infringement.” The district court agreed. Plaintiffs brought this appeal.

Plaintiffs contend the district court’s ruling was flawed in several respects. They argue: (1) Google’s digital copying of entire books, allowing users through the snippet function to read portions, is not a “transformative use” within the meaning of *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569 (1994), and provides a substitute for Plaintiffs’ works; (2) notwithstanding that Google provides public access to the search and snippet functions without charge and without advertising, its ultimate commercial profit motivation and its derivation of revenue from its dominance of the world-wide Internet search market to which the books project contributes, preclude a finding of fair use; (3) even if Google’s copying and revelations of text do not infringe plaintiffs’ books, they infringe Plaintiffs’ derivative rights in search functions, depriving Plaintiffs of revenues or other benefits they would gain from licensed search markets; (4) Google’s storage of digital copies exposes Plaintiffs to the risk that hackers will make their books freely (or cheaply) available on the Internet, destroying the value of their copyrights; and (5) Google’s distribution of digital copies to participant libraries is not a transformative use, and it subjects Plaintiffs to the risk of loss of copyright revenues through access allowed by libraries. We reject these arguments and conclude that the district court correctly sustained Google’s fair use defense.

Google’s making of a digital copy to provide a search function is a transformative use, which augments public knowledge by making available information about Plaintiffs’ books without providing the public with a substantial substitute for matter protected by the Plaintiffs’ copyright interests in the original works or derivatives of them. The same is true, at least under present conditions, of Google’s provision of the snippet function. Plaintiffs’ contention that Google has usurped their opportunity to access paid and unpaid licensing markets for substantially the same functions that Google provides fails, in part because the licensing markets in fact involve very different functions than those that Google provides, and in part

because an author's derivative rights do not include an exclusive right to supply information (of the sort provided by Google) about her works. Google's profit motivation does not in these circumstances justify denial of fair use. Google's program does not, at this time and on the record before us, expose Plaintiffs to an unreasonable risk of loss of copyright value through incursions of hackers. Finally, Google's provision of digital copies to participating libraries, authorizing them to make non-infringing uses, is non-infringing, and the mere speculative possibility that the libraries might allow use of their copies in an infringing manner does not make Google a contributory infringer. Plaintiffs have failed to show a material issue of fact in dispute.

We affirm the judgment.

## **BACKGROUND**

### **I. Plaintiffs**

The author-plaintiffs are Jim Bouton, author of *Ball Four*; Betty Miles, author of *The Trouble with Thirteen*; and Joseph Goulden, author of *The Superlawyers: The Small and Powerful World of the Great Washington Law Firms*. Each of them has a legal or beneficial ownership in the copyright for his or her book. Their books have been scanned without their permission by Google, which made them available to Internet users for search and snippet view on Google's website.

### **II. Google Books and the Google Library Project**

Google's Library Project, which began in 2004, involves bilateral agreements between Google and a number of the world's major research libraries. Under these agreements, the participating libraries select books from their collections to submit to Google for inclusion in the project. Google makes a digital scan of each book, extracts a machine-readable text, and creates an index of the machine-readable text of each book. Google retains the original scanned image of each book, in part so as to improve the accuracy of the machine-readable texts and indices as image-to-text conversion technologies improve.

Since 2004, Google has scanned, rendered machine-readable, and indexed more than 20 million books, including both copyrighted works and works in the public domain. The vast majority of the books are non-fiction, and most are out of print. All of the digital information created by Google in the process is stored on servers protected by the same security systems Google uses to shield its own confidential information.

The digital corpus created by the scanning of these millions of books enables the Google Books search engine. Members of the public who access the Google Books website can enter search words or terms of their own choice, receiving in response a list of all books in the database in which those terms appear, as well as the number of times the term appears in each book. A brief description of each book, entitled "About the Book," gives some rudimentary additional information, including a list of the words and terms that appear with most frequency in the book. It sometimes provides links to buy the book online and identifies libraries where the book can be found.<sup>4</sup> The search tool permits a researcher to identify those books, out of millions, that do, as well as those that do not, use the terms selected by the researcher. Google notes that this identifying information instantaneously supplied would otherwise not be obtainable in lifetimes of searching.



No advertising is displayed to a user of the search function. Nor does Google receive payment by reason of the searcher's use of Google's link to purchase the book.

The search engine also makes possible new forms of research, known as "text mining" and "data mining." Google's "ngrams" research tool draws on the Google Library Project corpus to furnish statistical information to Internet users about the frequency of word and phrase usage over centuries.<sup>5</sup> This tool permits users to discern fluctuations of interest in a particular subject over time and space by showing increases and decreases in the frequency of reference and usage in different periods and different linguistic regions. It also allows researchers to comb over the tens of millions of books Google has scanned in order to examine "word frequencies, syntactic patterns, and thematic markers" and to derive information on how nomenclature, linguistic usage, and literary style have changed over time.

The Google Books search function also allows the user a limited viewing of text. In addition to telling the number of times the word or term selected by the searcher appears in the book, the search function will display a maximum of three "snippets" containing it. A snippet is a horizontal segment comprising ordinarily an eighth of a page. Each page of a conventionally formatted book in the Google Books database is divided into eight non-overlapping horizontal segments, each such horizontal segment being a snippet. (Thus, for such a book with 24 lines to a page, each snippet is comprised of three lines of text.) Each search for a particular word or term within a book will reveal the same three snippets, regardless of the number of computers from which the search is launched. Only the first usage of the term on a given page is displayed. Thus, if the top snippet of a page contains two (or more) words for which the user searches, and Google's program is fixed to reveal that particular snippet in response to a search for either term, the second search will duplicate the snippet already revealed by the first search, rather than moving to reveal a different snippet containing the word because the first snippet was already revealed. Google's program does not allow a searcher to increase the number of snippets revealed by repeated entry of the same search term or by entering searches from different computers. A searcher can view more than three snippets of a book by entering additional searches for different terms. However, Google makes permanently unavailable for snippet view one snippet on each page and one complete page out of every ten—a process Google calls "blacklisting."

Google also disables snippet view entirely for types of books for which a single snippet is likely to satisfy the searcher's present need for the book, such as dictionaries, cookbooks, and books of short poems. Finally, since 2005, Google will exclude any book altogether from snippet view at the request of the rights holder by the submission of an online form.

Under its contracts with the participating libraries, Google allows each library to download copies—of both the digital image and machine-readable versions—of the books that library submitted to Google for scanning (but not of books submitted by other libraries). This is done by giving each participating library access to the Google Return Interface ("GRIN"). The agreements between Google and the libraries, although not in all respects uniform, require the libraries to abide by copyright law in utilizing the digital copies they download and to take precautions to prevent dissemination of their digital copies to the public at large.

## **DISCUSSION**

### ***I. The Law of Fair Use***

The ultimate goal of copyright is to expand public knowledge and understanding, which copyright seeks to achieve by giving potential creators exclusive control over copying of their works, thus giving them a financial incentive to create informative, intellectually enriching works for public consumption. This objective is clearly reflected in the Constitution's empowerment of Congress "To promote the Progress of Science ... by securing for limited Times to Authors ... the exclusive Right to their respective Writings." U.S. Const., Art. I, § 8, cl. 8 (emphasis added). Thus, while authors are undoubtedly important intended beneficiaries of copyright, the ultimate, primary intended beneficiary is the public, whose access to knowledge copyright seeks to advance by providing rewards for authorship.

For nearly three hundred years, since shortly after the birth of copyright in England in 1710, courts have recognized that, in certain circumstances, giving authors absolute control over all copying from their works would tend in some circumstances to limit, rather than expand, public knowledge. Courts thus developed the doctrine, eventually named fair use, which permits unauthorized copying in some circumstances, so as to further copyright's very purpose, to promote the Progress of Science and useful Arts. Although well established in the common law development of copyright, fair use was not recognized in the terms of our statute until the adoption of § 107 in the Copyright Act of 1976.

Section 107, in its present form, provides:

[T]he 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.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

17 U.S.C. § 107. As the Supreme Court has designated fair use an affirmative defense, *see Campbell*, 510 U.S. at 590, the party asserting fair use bears the burden of proof.

The statute calls for case-by-case analysis and is not to be simplified with bright-line rules. Section 107's four 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. Each factor thus stands as part of a multifaceted assessment of the crucial question: how to define the boundary limit of the original author's exclusive rights in order to best serve the overall objectives of the copyright law to expand public learning while protecting the incentives of authors to create for the public good.

At the same time, the Supreme Court has made clear that some of the statute's four listed factors are more significant than others. The Court observed in *Harper & Row Publishers, Inc. v. Nation Enterprises* that the fourth factor, which assesses the harm the secondary use can cause to the market for, or the value of, the copyright for the original, "is undoubtedly the single most important element of fair use." 471 U.S. 539, 566 (1985). This is consistent with the fact that the copyright is a commercial right, intended to protect the ability of authors to profit from the exclusive right to merchandise their own work.

In *Campbell*, the Court stressed also the importance of the first factor, the "purpose and character of the secondary use." The more the appropriator is using the copied material for new, transformative purposes, the more it serves copyright's goal of enriching public knowledge and the less likely it is that the appropriation will serve as a substitute for the original or its plausible derivatives, shrinking the protected market opportunities of the copyrighted work.

With this background, we proceed to discuss each of the statutory factors, as illuminated by *Campbell* and subsequent case law, in relation to the issues here in dispute.

## **II. The Search and Snippet View Functions**

### **A. Factor One**

(1) *Transformative purpose.* *Campbell*'s explanation of the first factor's inquiry into the "purpose and character" of the secondary use focuses on whether the new work merely supersedes the objects' of the original creation, or instead adds something new, with a further purpose. It asks, in other words, whether and to what extent the new work is "transformative." While recognizing that a transformative use is not absolutely necessary for a finding of fair use, the opinion further explains that the goal of copyright, to promote science and the arts, is generally furthered by the creation of transformative works and that such works thus lie at the heart of the fair use doctrine's guarantee of breathing space within the confines of copyright. In other words, transformative uses tend to favor a fair use finding because a transformative use is one that communicates something new and different from the original or expands its utility, thus serving copyright's overall objective of contributing to public knowledge.

The word "transformative" cannot be taken too literally as a sufficient key to understanding the elements of fair use. It is rather a suggestive symbol for a complex thought, and does not mean that any and all changes made to an author's original text will necessarily support a finding of fair use. The Supreme Court's discussion in *Campbell* gave important guidance on assessing when a transformative use tends to support a conclusion of fair use. The defendant in that case defended on the ground that its work was a parody of the original and that parody is a time-honored category of fair use. Explaining why parody makes a stronger, or in any event more obvious, claim of fair use than satire, the Court stated,

The heart of any parodist's claim to quote from existing material is the use of a prior author's composition to *comment on that author's works*. If, on the contrary, the commentary has no critical bearing on the substance or style of the original composition, which the alleged infringer merely uses to get attention or to avoid the drudgery in working up something fresh, the claim to fairness in borrowing from another's work diminishes accordingly (if it does not vanish). Parody needs to mimic an original to make its point, and so has some claim to use the creation of its victim's

imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing. (emphasis added).

In other words, the would-be fair user of another's work must have justification for the taking. A secondary author is not necessarily at liberty to make wholesale takings of the original author's expression merely because of how well the original author's expression would convey the secondary author's different message. Among the best recognized justifications for copying from another's work is to provide comment on it or criticism of it. A taking from another author's work for the purpose of making points that have no bearing on the original may well be fair use, but the taker would need to show a justification. This part of the Supreme Court's discussion is significant in assessing Google's claim of fair use because, as discussed extensively below, Google's claim of transformative purpose for copying from the works of others is to provide otherwise unavailable information about the originals.

A further complication that can result from oversimplified reliance on whether the copying involves transformation is that the word "transform" also plays a role in defining "derivative works," over which the original rights holder retains exclusive control. Section 106 of the Act specifies the "exclusive right[ ]" of the copyright owner "(2) to prepare derivative works based upon the copyrighted work." The statute defines derivative works largely by example, rather than explanation. The examples include "translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgement, condensation," to which list the statute adds "any other form in which a work may be ... transformed." 17 U.S.C. § 101 (emphasis added). While such changes can be described as transformations, they do not involve the kind of transformative purpose that favors a fair use finding. The statutory definition suggests that derivative works generally involve transformations in the nature of changes of form. By contrast, copying from an original for the purpose of criticism or commentary on the original or provision of information about it, tends most clearly to satisfy *Campbell*'s notion of the "transformative" purpose involved in the analysis of Factor One.

With these considerations in mind, we first consider whether Google's search and snippet views functions satisfy the first fair use factor with respect to Plaintiffs' rights in their books. (The question whether these functions might infringe upon Plaintiffs' derivative rights is discussed in the next Part.)

(2) *Search Function*. We have no difficulty concluding that Google's making of a digital copy of Plaintiffs' books for the purpose of enabling a search for identification of books containing a term of interest to the searcher involves a highly transformative purpose, in the sense intended by *Campbell*. Our court's exemplary discussion in *Authors Guild, Inc. v. HathiTrust*, 755 F.3d 87 (2d Cir. 2014) informs our ruling. That case involved a dispute that is closely related, although not identical, to this one. Authors brought claims of copyright infringement against HathiTrust, an entity formed by libraries participating in the Google Library Project to pool the digital copies of their books created for them by Google. The suit challenged various usages HathiTrust made of the digital copies. Among the challenged uses was HathiTrust's offer to its patrons of "full-text searches," which, very much like the search offered by Google Books to Internet users, permitted patrons of the libraries to locate in which of the digitized books specific words or phrases appeared. (HathiTrust's search facility did not include the snippet view function, or any other display of text.) We concluded that both the making of the digital copies and the use of those copies to offer the search tool were fair uses.

Notwithstanding that the libraries had downloaded and stored complete digital copies of entire books, we noted that such copying was essential to permit searchers to identify and locate the books in which words or phrases of interest to them appeared. We concluded that the creation of a full-text searchable database is a quintessentially transformative use as the result of a word search is different in purpose, character, expression, meaning, and message from the page (and the book) from which it is drawn.

As with *HathiTrust*, the purpose of Google's copying of the original copyrighted books is to make available significant information about those books, permitting a searcher to identify those that contain a word or term of interest, as well as those that do not include reference to it. In addition, through the ngrams tool, Google allows readers to learn the frequency of usage of selected words in the aggregate corpus of published books in different historical periods. We have no doubt that the purpose of this copying is the sort of transformative purpose described in *Campbell* as strongly favoring satisfaction of the first factor.

(3) *Snippet View*. Plaintiffs correctly point out that this case is significantly different from *HathiTrust* in that the Google Books search function allows searchers to read snippets from the book searched, whereas *HathiTrust* did not allow searchers to view any part of the book. Snippet view adds important value to the basic transformative search function, which tells only whether and how often the searched term appears in the book. Merely knowing that a term of interest appears in a book does not necessarily tell the searcher whether she needs to obtain the book, because it does not reveal whether the term is discussed in a manner or context falling within the scope of the searcher's interest. For example, a searcher seeking books that explore Einstein's theories, who finds that a particular book includes 39 usages of "Einstein," will nonetheless conclude she can skip that book if the snippets reveal that the book speaks of "Einstein" because that is the name of the author's cat. In contrast, the snippet will tell the searcher that this is a book she needs to obtain if the snippet shows that the author is engaging with Einstein's theories.

Google's division of the page into tiny snippets is designed to show the searcher just enough context surrounding the searched term to help her evaluate whether the book falls within the scope of her interest (without revealing so much as to threaten the author's copyright interests). Snippet view thus adds importantly to the highly transformative purpose of identifying books of interest to the searcher. With respect to the first factor test, it favors a finding of fair use (unless the value of its transformative purpose is overcome by its providing text in a manner that offers a competing substitute for Plaintiffs' books, which we discuss under factors three and four below).

(4) *Google's Commercial Motivation*. Plaintiffs also contend that Google's commercial motivation weighs in their favor under the first factor. Google's commercial motivation distinguishes this case from *HathiTrust*, as the defendant in that case was a non-profit entity founded by, and acting as the representative of, libraries. Although Google has no revenues flowing directly from its operation of the Google Books functions, Plaintiffs stress that Google is profit-motivated and seeks to use its dominance of book search to fortify its overall dominance of the Internet search market, and that thereby Google indirectly reaps profits from the Google Books functions.

In explaining the first fair use factor, the Court [in *Campbell*] clarified that the more transformative the secondary work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use. Our court has since repeatedly rejected the contention that commercial motivation

should outweigh a convincing transformative purpose and absence of significant substitutive competition with the original.

While we recognize that in some circumstances, a commercial motivation on the part of the secondary user will weigh against her, especially when a persuasive transformative purpose is lacking, we see no reason in this case why Google's overall profit motivation should prevail as a reason for denying fair use over its highly convincing transformative purpose, together with the absence of significant substitutive competition, as reasons for granting fair use. Many of the most universally accepted forms of fair use, such as news reporting and commentary, quotation in historical or analytic books, reviews of books, and performances, as well as parody, are all normally done commercially for profit.

### **B. Factor Two**

The second fair use factor directs consideration of the “nature of the copyrighted work.” While the “transformative purpose” inquiry discussed above is conventionally treated as a part of first factor analysis, it inevitably involves the second factor as well. One cannot assess whether the copying work has an objective that differs from the original without considering both works, and their respective objectives.

The second factor has rarely played a significant role in the determination of a fair use dispute. See WILLIAM F. PATRY, *PATRY ON FAIR USE* § 4.1 (2015). The Supreme Court in *Harper & Row* made a passing observation in dictum that, “the law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.” 471 U.S. 539, 563 (1985). Courts have sometimes speculated that this might mean that a finding of fair use is more favored when the copying is of factual works than when copying is from works of fiction. However, while the copyright does not protect facts or ideas set forth in a work, it does protect that author's manner of expressing those facts and ideas. At least unless a persuasive fair use justification is involved, authors of factual works, like authors of fiction, should be entitled to copyright protection of their protected expression. The mere fact that the original is a factual work therefore should not imply that others may freely copy it. Those who report the news undoubtedly create factual works. It cannot seriously be argued that, for that reason, others may freely copy and re-disseminate news reports.

In considering the second factor in *HathiTrust*, we concluded that it was “not dispositive,” commenting that courts have hardly ever found that the second factor in isolation played a large role in explaining a fair use decision. The same is true here. While each of the three Plaintiffs' books in this case is factual, we do not consider that as a boost to Google's claim of fair use. If one (or all) of the plaintiff works were fiction, we do not think that would change in any way our appraisal. Nothing in this case influences us one way or the other with respect to the second factor considered in isolation. To the extent that the “nature” of the original copyrighted work necessarily combines with the “purpose and character” of the secondary work to permit assessment of whether the secondary work uses the original in a “transformative” manner, as the term is used in *Campbell*, the second factor favors fair use not because Plaintiffs' works are factual, but because the secondary use transformatively provides valuable information about the original, rather than replicating protected expression in a manner that provides a meaningful substitute for the original.

### **C. Factor Three**

The third statutory factor instructs us to consider “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” The clear implication of the third factor is that a finding of

fair use is more likely when small amounts, or less important passages, are copied than when the copying is extensive, or encompasses the most important parts of the original. The obvious reason for this lies in the relationship between the third and the fourth factors. The larger the amount, or the more important the part, of the original that is copied, the greater the likelihood that the secondary work might serve as an effectively competing substitute for the original, and might therefore diminish the original rights holder's sales and profits.

(1) *Search Function*. The Google Books program has made a digital copy of the entirety of each of Plaintiffs' books. Notwithstanding the reasonable implication of Factor Three that fair use is more likely to be favored by the copying of smaller, rather than larger, portions of the original, courts have rejected any categorical rule that a copying of the entirety cannot be a fair use. Complete unchanged copying has repeatedly been found justified as fair use when the copying was reasonably appropriate to achieve the copier's transformative purpose and was done in such a manner that it did not offer a competing substitute for the original.

In *HathiTrust*, our court concluded in its discussion of the third factor that "because it was reasonably necessary for the [HathiTrust Digital Library] to make use of the entirety of the works in order to enable the full-text search function, we do not believe the copying was excessive." As with *HathiTrust*, not only is the copying of the totality of the original reasonably appropriate to Google's transformative purpose, it is literally necessary to achieve that purpose. If Google copied less than the totality of the originals, its search function could not advise searchers reliably whether their searched term appears in a book (or how many times).

While Google makes an unauthorized digital copy of the entire book, it does not reveal that digital copy to the public. The copy is made to enable the search functions to reveal limited, important information about the books. With respect to the search function, Google satisfies the third factor test, as illuminated by the Supreme Court in *Campbell*.

(2) *Snippet View*. Google's provision of snippet view makes our third factor inquiry different from that inquiry in *HathiTrust*. What matters in such cases is not so much "the amount and substantiality of the portion used" in making a copy, but rather the amount and substantiality of what is thereby made accessible to a public for which it may serve as a competing substitute. In *HathiTrust*, notwithstanding the defendant's full-text copying, the search function revealed virtually nothing of the text of the originals to the public. Here, through the snippet view, more is revealed to searchers than in *HathiTrust*.

Without doubt, enabling searchers to see portions of the copied texts could have determinative effect on the fair use analysis. The larger the quantity of the copyrighted text the searcher can see and the more control the searcher can exercise over what part of the text she sees, the greater the likelihood that those revelations could serve her as an effective, free substitute for the purchase of the plaintiff's book. We nonetheless conclude that, at least as presently structured by Google, the snippet view does not reveal matter that offers the marketplace a significantly competing substitute for the copyrighted work.

Google has constructed the snippet feature in a manner that substantially protects against its serving as an effectively competing substitute for Plaintiffs' books. In the Background section of this opinion, we describe a variety of limitations Google imposes on the snippet function. These include the small size of the snippets

(normally one eighth of a page), the blacklisting of one snippet per page and of one page in every ten, the fact that no more than three snippets are shown—and no more than one per page—for each term searched, and the fact that the same snippets are shown for a searched term no matter how many times, or from how many different computers, the term is searched. In addition, Google does not provide snippet view for types of books, such as dictionaries and cookbooks, for which viewing a small segment is likely to satisfy the searcher's need. The result of these restrictions is, so far as the record demonstrates, that a searcher cannot succeed, even after long extended effort to multiply what can be revealed, in revealing through a snippet search what could usefully serve as a competing substitute for the original.

The blacklisting, which permanently blocks about 22% of a book's text from snippet view, is by no means the most important of the obstacles Google has designed. While it is true that the blacklisting of 22% leaves 78% of a book *theoretically* accessible to a searcher, it does not follow that any large part of that 78% is in fact accessible. The other restrictions built into the program work together to ensure that, even after protracted effort over a substantial period of time, only small and randomly scattered portions of a book will be accessible. In an effort to show what large portions of text searchers can read through persistently augmented snippet searches, Plaintiffs' counsel employed researchers over a period of weeks to do multiple word searches on Plaintiffs' books. In no case were they able to access as much as 16% of the text, and the snippets collected were usually not sequential but scattered randomly throughout the book. Because Google's snippets are arbitrarily and uniformly divided by lines of text, and not by complete sentences, paragraphs, or any measure dictated by content, a searcher would have great difficulty constructing a search so as to provide any extensive information about the book's use of that term. As snippet view never reveals more than one snippet per page in response to repeated searches for the same term, it is at least difficult, and often impossible, for a searcher to gain access to more than a single snippet's worth of an extended, continuous discussion of the term.

The fact that Plaintiffs' searchers managed to reveal nearly 16% of the text of Plaintiffs' books overstates the degree to which snippet view can provide a meaningful substitute. At least as important as the percentage of words of a book that are revealed is the manner and order in which they are revealed. Even if the search function revealed 100% of the words of the copyrighted book, this would be of little substitutive value if the words were revealed in alphabetical order, or any order other than the order they follow in the original book. It cannot be said that a revelation is "substantial" in the sense intended by the statute's third factor if the revelation is in a form that communicates little of the sense of the original. The fragmentary and scattered nature of the snippets revealed, even after a determined, assiduous, time-consuming search, results in a revelation that is not "substantial," even if it includes an aggregate 16% of the text of the book. If snippet view could be used to reveal a coherent block amounting to 16% of a book, that would raise a very different question beyond the scope of our inquiry.

#### **D. Factor Four**

The fourth fair use factor, "the effect of the [copying] use upon the potential market for or value of the copyrighted work," focuses on whether the copy brings to the marketplace a competing substitute for the original, or its derivative, so as to deprive the rights holder of significant revenues because of the likelihood that potential purchasers may opt to acquire the copy in preference to the original. Because copyright is a commercial doctrine whose objective is to stimulate creativity among potential authors by enabling them to earn money from their creations, the fourth factor is of great importance in making a fair use assessment.



Campbell stressed the close linkage between the first and fourth factors, in that the more the copying is done to achieve a purpose that differs from the purpose of the original, the less likely it is that the copy will serve as a satisfactory substitute for the original.

However, *Campbell*'s observation as to the likelihood of a secondary use serving as an effective substitute goes only so far. Even if the *purpose* of the copying is for a valuably transformative purpose, such copying might nonetheless harm the value of the copyrighted original if done in a manner that results in widespread revelation of sufficiently significant portions of the original as to make available a significantly competing substitute. The question for us is whether snippet view, notwithstanding its transformative purpose, does that. We conclude that, at least as snippet view is presently constructed, it does not.

Especially in view of the fact that the normal purchase price of a book is relatively low in relation to the cost of manpower needed to secure an arbitrary assortment of randomly scattered snippets, we conclude that the snippet function does not give searchers access to effectively competing substitutes. Snippet view, at best and after a large commitment of manpower, produces discontinuous, tiny fragments, amounting in the aggregate to no more than 16% of a book. This does not threaten the rights holders with any significant harm to the value of their copyrights or diminish their harvest of copyright revenue.

We recognize that the snippet function can cause *some* loss of sales. There are surely instances in which a searcher's need for access to a text will be satisfied by the snippet view, resulting in either the loss of a sale to that searcher, or reduction of demand on libraries for that title, which might have resulted in libraries purchasing additional copies. But the possibility, or even the probability or certainty, of some loss of sales does not suffice to make the copy an effectively competing substitute that would tilt the weighty fourth factor in favor of the rights holder in the original. There must be a meaningful or significant effect "upon the potential market for or value of the copyrighted work."

Furthermore, the type of loss of sale envisioned above will generally occur in relation to interests that are not protected by the copyright. A snippet's capacity to satisfy a searcher's need for access to a copyrighted book will at times be because the snippet conveys a historical fact that the searcher needs to ascertain. For example, a student writing a paper on Franklin D. Roosevelt might need to learn the year Roosevelt was stricken with polio. By entering "Roosevelt polio" in a Google Books search, the student would be taken to (among numerous sites) a snippet from page 31 of Richard Thayer Goldberg's *The Making of Franklin D. Roosevelt* (1981), telling that the polio attack occurred in 1921. This would satisfy the searcher's need for the book, eliminating any need to purchase it or acquire it from a library. But what the searcher derived from the snippet was a historical fact. Author Goldberg's copyright does not extend to the facts communicated by his book. It protects only the author's manner of expression. Google would be entitled, without infringement of Goldberg's copyright, to answer the student's query about the year Roosevelt was afflicted, taking the information from Goldberg's book.

Even if the snippet reveals some authorial expression, because of the brevity of a single snippet and the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view, we think it would be a rare case in which the searcher's interest in *the protected aspect* of the author's work would be satisfied by what is available from snippet view, and rarer still—because of the cumbersome, disjointed, and incomplete nature of the aggregation of snippets made available through snippet view—that snippet view could provide a significant substitute for the purchase of the author's book.

Accordingly, considering the four fair use factors in light of the goals of copyright, we conclude that Google's making of a complete digital copy of Plaintiffs' works for the purpose of providing the public with its search and snippet view functions (at least as snippet view is presently designed) is a fair use and does not infringe Plaintiffs' copyrights in their books.

...

In sum, we conclude that Google's unauthorized digitizing of copyright-protected works, creation of a search functionality, and display of snippets from those works are non-infringing fair uses. The purpose of the copying is highly transformative, the public display of text is limited, and the revelations do not provide a significant market substitute for the protected aspects of the originals. Google's commercial nature and profit motivation do not justify denial of fair use.

The judgment of the district court is **AFFIRMED**.

## **APPENDIX A**

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## Copyright for the eighties: cases and materials



Alan Latham, Robert A. Gorman, Jane C. Ginsburg

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fair use

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## Page 437

1980s, stated that such activity could not be considered a **fair use**. Moreover, the court assigned the "apparent lack of independent research" as an additional reason for refusing to honor defendant's **fair use** claim. With this conclusion we disagree as a matter of law.

In *Feist v. Rural Publishing Co.*, supra, the Supreme Court affirmed the grant of an injunction, in favor of an author who had written a careful biography of Hans Christian Andersen based on extensive research. See, *Feist*, supra.

## Page 452

452

NOTES, LIMITATIONS AND REMEDIES

standards for resolving the **fair use** defense in specific cases. But the standards

## Page 456

456

NOTES, LIMITATIONS AND REMEDIES

a finding of **fair use**, and the "all four factors [in § 107] must be considered

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Results 1-3 of 72

## APPENDIX B



Some things to consider when reading *Perfect 10 v. Amazon*:

1. Excerpts from this case appeared earlier in the sections of this casebook addressing the public display right and indirect infringement. In the part of the decision reproduced below, the court considers whether Google's display of thumbnail images is fair use.
2. What distinguishes the facts of this case from *Kelly*, another case where the court found that Google's display of thumbnail images was fair use?
3. Note the court's emphasis on the transformative nature of Google's search engine and its benefit to the public, and the relatively little weight given to the commercial nature of Google's activities.
4. How does the fact that Perfect 10's images were previously published impact the fair use analysis?

### *Perfect 10, Inc. v. Amazon.com, Inc.*

508 F.3d 1146 (9th Cir. 2007)

IKUTA, Circuit Judge:

*[Editor's note: This decision appears earlier in the book in the sections on the public display right and indirect infringement. In the following section of the decision, the court considers whether Google's display of thumbnail images is fair use.]*

#### **C. Fair Use Defense**

Because Perfect 10 has succeeded in showing it would prevail in its prima facie case that Google's thumbnail images infringe Perfect 10's display rights, the burden shifts to Google to show that it will likely succeed in establishing an affirmative defense. Google contends that its use of thumbnails is a fair use of the images and therefore does not constitute an infringement of Perfect 10's copyright.

The fair use defense permits the use of copyrighted works without the copyright owner's consent under certain situations. The defense encourages and allows the development of new ideas that build on earlier ones, thus providing a necessary counterbalance to the copyright law's goal of protecting creators' work product.

Congress codified the common law of fair use in 17 U.S.C. § 107, which provides:

Notwithstanding the provisions of sections 106 and 106A, the fair use of a copyrighted work, including such use by reproduction in copies or phonorecords or by any other means specified by that section, 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.

The fact that a work is unpublished shall not itself bar a finding of fair use if such finding is made upon consideration of all the above factors.

In applying the fair use analysis in this case, we are guided by *Kelly v. Arriba Soft Corp.*, which considered substantially the same use of copyrighted photographic images as is at issue here. In *Kelly*, a photographer brought a direct infringement claim against Arriba, the operator of an Internet search engine. The search engine provided thumbnail versions of the photographer's images in response to search queries. We held that Arriba's use of thumbnail images was a fair use primarily based on the transformative nature of a search engine and its benefit to the public. We also concluded that Arriba's use of the thumbnail images did not harm the photographer's market for his image.

In this case, the district court determined that Google's use of thumbnails was not a fair use and distinguished *Kelly*. We consider these distinctions in the context of the four-factor fair use analysis.

*Purpose and character of the use.* The first factor, 17 U.S.C. § 107(1), requires a court to consider "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes." The central purpose of this inquiry is to determine whether and to what extent the new work is "transformative." *Campbell*. A work is "transformative" when the new work does not "merely supersede the objects of the original creation" but rather "adds something new, with a further purpose or different character, altering the first with new expression, meaning, or message." Conversely, if the new work "supersede[s] the use of the original," the use is likely not a fair use. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 550–51 (1985) (publishing the "heart" of an unpublished work and thus supplanting the copyright holder's first publication right was not a fair use); see also *Wall Data Inc. v. L.A. County Sheriff's Dep't*, 447 F.3d 769, 778–82 (9th Cir.2006) (using a copy to save the cost of buying additional copies of a computer program was not a fair use).

As noted in *Campbell*, a "transformative work" is one that alters the original work "with new expression, meaning, or message." A use is considered transformative only where a defendant changes a plaintiff's copyrighted work or uses the plaintiff's copyrighted work in a different context such that the plaintiff's work is transformed into a new creation.

Google's use of thumbnails is highly transformative. In *Kelly*, we concluded that Arriba's use of thumbnails was transformative because "Arriba's use of the images served a different function than Kelly's use—improving access to information on the Internet versus artistic expression." Although an image may have been created originally to serve an entertainment, aesthetic, or informative function, a search engine transforms the image into a pointer directing a user to a source of information. Just as a "parody has an

obvious claim to transformative value” because “it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one,” a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool. Indeed, a search engine may be more transformative than a parody because a search engine provides an entirely new use for the original work, while a parody typically has the same entertainment purpose as the original work. In other words, a search engine puts images in a different context so that they are transformed into a new creation.

The fact that Google incorporates the entire Perfect 10 image into the search engine results does not diminish the transformative nature of Google’s use. As the district court correctly noted, we determined in *Kelly* that even making an exact copy of a work may be transformative so long as the copy serves a different function than the original work. For example, the First Circuit has held that the republication of photos taken for a modeling portfolio in a newspaper was transformative because the photos served to inform, as well as entertain. See *Nunez v. Caribbean Int’l News Corp.*, 235 F.3d 18, 22–23 (1st Cir.2000). In contrast, duplicating a church’s religious book for use by a different church was not transformative. See *Worldwide Church of God v. Phila. Church of God, Inc.*, 227 F.3d 1110, 1117 (9th Cir.2000). Nor was a broadcaster’s simple retransmission of a radio broadcast over telephone lines transformative, where the original radio shows were given no “new expression, meaning, or message.” *Infinity Broad. Corp. v. Kirkwood*, 150 F.3d 104, 108 (2d Cir.1998). Here, Google uses Perfect 10’s images in a new context to serve a different purpose.

The district court nevertheless determined that Google’s use of thumbnail images was less transformative than Arriba’s use of thumbnails in *Kelly* because Google’s use of thumbnails superseded Perfect 10’s right to sell its reduced-size images for use on cell phones. The district court stated that “mobile users can download and save the thumbnails displayed by Google Image Search onto their phones,” and concluded “to the extent that users may choose to download free images to their phone rather than purchase [Perfect 10’s] reduced-size images, Google’s use supersedes [Perfect 10’s].”

Additionally, the district court determined that the commercial nature of Google’s use weighed against its transformative nature. Although *Kelly* held that the commercial use of the photographer’s images by Arriba’s search engine was less exploitative than typical commercial use, and thus weighed only slightly against a finding of fair use, the district court here distinguished *Kelly* on the ground that some website owners in the AdSense program had infringing Perfect 10 images on their websites. The district court held that because Google’s thumbnails “lead users to sites that directly benefit Google’s bottom line,” the AdSense program increased the commercial nature of Google’s use of Perfect 10’s images.

In conducting our case-specific analysis of fair use in light of the purposes of copyright, we must weigh Google’s superseding and commercial uses of thumbnail images against Google’s significant transformative use, as well as the extent to which Google’s search engine promotes the purposes of copyright and serves the interests of the public. Although the district court acknowledged the “truism that search engines such as Google Image Search provide great value to the public,” the district court did not expressly consider whether this value outweighed the significance of Google’s superseding use or the commercial nature of Google’s use. The Supreme Court, however, has directed us to be mindful of the extent to which a use promotes the purposes of copyright and serves the interests of the public.

We note that the superseding use in this case is not significant at present: the district court did not find that

any downloads for mobile phone use had taken place. Moreover, while Google's use of thumbnails to direct users to AdSense partners containing infringing content adds a commercial dimension that did not exist in *Kelly*, the district court did not determine that this commercial element was significant. The district court stated that Google's AdSense programs as a whole contributed "\$630 million, or 46% of total revenues" to Google's bottom line, but noted that this figure did not "break down the much smaller amount attributable to websites that contain infringing content."

We conclude that the significantly transformative nature of Google's search engine, particularly in light of its public benefit, outweighs Google's superseding and commercial uses of the thumbnails in this case. In reaching this conclusion, we note the importance of analyzing fair use flexibly in light of new circumstances. We are also mindful of the Supreme Court's direction that "the more transformative the new work, the less will be the significance of other factors, like commercialism, that may weigh against a finding of fair use."

Accordingly, we disagree with the district court's conclusion that because Google's use of the thumbnails could supersede Perfect 10's cell phone download use and because the use was more commercial than Arriba's, this fair use factor weighed "slightly" in favor of Perfect 10. Instead, we conclude that the transformative nature of Google's use is more significant than any incidental superseding use or the minor commercial aspects of Google's search engine and website. Therefore, this factor weighs heavily in favor of Google.

*The nature of the copyrighted work.* With respect to the second factor, "the nature of the copyrighted work," 17 U.S.C. § 107(2), our decision in *Kelly* is directly on point. There we held that the photographer's images were "creative in nature" and thus "closer to the core of intended copyright protection than are more fact-based works." However, because the photos appeared on the Internet before Arriba used thumbnail versions in its search engine results, this factor weighed only slightly in favor of the photographer.

Here, the district court found that Perfect 10's images were creative but also previously published. The right of first publication is "the author's right to control the first public appearance of his expression." *Harper & Row*, 471 U.S. at 564. Because this right encompasses "the choices of when, where, and in what form first to publish a work," an author exercises and exhausts this one-time right by publishing the work in any medium. See, e.g., *Batjac Prods. Inc. v. GoodTimes Home Video Corp.*, 160 F.3d 1223, 1235 (9th Cir.1998) (noting, in the context of the common law right of first publication, that such a right "does not entail multiple first publication rights in every available medium"). Once Perfect 10 has exploited this commercially valuable right of first publication by putting its images on the Internet for paid subscribers, Perfect 10 is no longer entitled to the enhanced protection available for an unpublished work. Accordingly the district court did not err in holding that this factor weighed only slightly in favor of Perfect 10.<sup>6</sup>

*The amount and substantiality of the portion used.* "The third factor asks whether the amount and substantiality of the portion used in relation to the copyrighted work as a whole ... are reasonable in relation to the purpose of the copying." 17 U.S.C. § 107(3). In *Kelly*, we held Arriba's use of the entire photographic image was reasonable in light of the purpose of a search engine. Specifically, we noted, "[i]t was necessary for Arriba to copy the entire image to allow users to recognize the image and decide whether to pursue more information about the image or the originating [website]. If Arriba only copied part of the image, it would be more difficult to identify it, thereby reducing the usefulness of the visual search engine." Accordingly, we concluded that this factor did not weigh in favor of either party. Because the same analysis applies to



Google's use of Perfect 10's image, the district court did not err in finding that this factor favored neither party.

*Effect of use on the market.* The fourth factor is “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). In *Kelly*, we concluded that Arriba's use of the thumbnail images did not harm the market for the photographer's full-size images. We reasoned that because thumbnails were not a substitute for the full-sized images, they did not harm the photographer's ability to sell or license his full-sized images. The district court here followed *Kelly*'s reasoning, holding that Google's use of thumbnails did not hurt Perfect 10's market for full-size images. We agree.

Perfect 10 argues that the district court erred because the likelihood of market harm may be presumed if the intended use of an image is for commercial gain. However, this presumption does not arise when a work is transformative because “market substitution is at least less certain, and market harm may not be so readily inferred.” As previously discussed, Google's use of thumbnails for search engine purposes is highly transformative, and so market harm cannot be presumed.

Perfect 10 also has a market for reduced-size images, an issue not considered in *Kelly*. The district court held that “Google's use of thumbnails likely does harm the potential market for the downloading of [Perfect 10's] reduced-size images onto cell phones.” The district court reasoned that persons who can obtain Perfect 10 images free of charge from Google are less likely to pay for a download, and the availability of Google's thumbnail images would harm Perfect 10's market for cell phone downloads. As we discussed above, the district court did not make a finding that Google users have downloaded thumbnail images for cell phone use. This potential harm to Perfect 10's market remains hypothetical. We conclude that this factor favors neither party.

Having undertaken a case-specific analysis of all four factors, we now weigh these factors together “in light of the purposes of copyright.” In this case, Google has put Perfect 10's thumbnail images (along with millions of other thumbnail images) to a use fundamentally different than the use intended by Perfect 10. In doing so, Google has provided a significant benefit to the public. Weighing this significant transformative use against the unproven use of Google's thumbnails for cell phone downloads, and considering the other fair use factors, all in light of the purpose of copyright, we conclude that Google's use of Perfect 10's thumbnails is a fair use. We conclude that Google is likely to succeed in proving its fair use defense and, accordingly, we vacate the preliminary injunction regarding Google's use of thumbnail images.

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## Check Your Understanding – *Perfect 10 v. Amazon*

**Question 1.** True or false: The court in *Perfect 10 v. Amazon* found Google's use of thumbnails to be highly transformative because a search engine transforms an image originally created to serve an entertainment, aesthetic, or informative function into a pointer directing a user to a source of information.



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**Question 2.** What distinguishes the facts in *Perfect 10 v. Amazon* from *Kelly v. Arriba*?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=186#h5p-121>

Some things to consider when reading *Sega*:

1. This is one of the first appellate decisions to analyze the fair use defense in the context of a computer program. The Supreme Court took up the issue in 2021 in *Google v. Oracle*, a decision that appears later in this casebook.
2. The *Sega* court applies the fair use defense to “intermediate copying,” i.e., the reproduction of a copyrighted work as an interim step in the creation of a new work, wherein the protectible content that has been copied does not appear in the final product. Intermediate copying is sometimes a practical necessity in the analysis or reverse engineering of a copyrighted work, particularly in the case software.
3. The creation of the large language models (LLMs) used in generative artificial intelligence (AI) applications has entailed intermediate copying on a massive scale, which has in turn resulted in allegations of copyright infringement. The creators of the LLMs are asserting fair use as a defense, pointing to decisions like *Sega* as precedent supporting the applicability of fair use to intermediate copying. See, for example, *Thomson Reuters Enter. Ctr. GmbH v. Ross Intel. Inc.*, 2023 WL 6210901 (D. Del. Sept. 25, 2023), a decision that appears later in this casebook.
4. Courts often downplay the significance of the second fair use factor, i.e., the nature of the copyrighted work. In *Campbell*, for example, the Court opined that the second factor is “[never] likely to help much in separating the fair use sheep from the infringing goats in a parody case.” In *Authors Guild v. Google*, the Ninth Circuit states that the second factor “has rarely played a significant role in the determination of a fair use dispute.” But in cases involving software, the second factor can play a more prominent role. In *Sega*, for example, the Ninth Circuit finds that the second factor “is important to the resolution of cases such as the one before us.” In *Google v. Oracle*, a 2021 Supreme Court decision that appears later in this casebook, the Court chooses to address the second factor first, highlighting its importance in the resolution of that software case.

## *Sega Enterprises Ltd. v. Accolade, Inc.*

977 F.2d 1510 (9th Cir. 1992), as amended (Jan. 6, 1993)

REINHARDT, Circuit Judge:

We are asked to determine whether the Copyright Act permits persons who are neither copyright holders nor licensees to disassemble a copyrighted computer program in order to gain an understanding of the unprotected functional elements of the program. In light of the public policies underlying the Act, we conclude that, when the person seeking the understanding has a legitimate reason for doing so and when no other means of access to the unprotected elements exists, such disassembly is as a matter of law a fair use of the copyrighted work.

### **I. Background**

Plaintiff-appellee Sega Enterprises, Ltd. (“Sega”), a Japanese corporation, and its subsidiary, Sega of America, develop and market video entertainment systems, including the “Genesis” console (distributed in Asia under the name “Mega-Drive”) and video game cartridges. Defendant-appellant Accolade, Inc., is an independent developer, manufacturer, and marketer of computer entertainment software, including game cartridges that are compatible with the Genesis console, as well as game cartridges that are compatible with other computer systems.

Sega licenses its copyrighted computer code and its “SEGA” trademark to a number of independent developers of computer game software. Those licensees develop and sell Genesis-compatible video games in competition with Sega. Accolade is not and never has been a licensee of Sega. Prior to rendering its own games compatible with the Genesis console, Accolade explored the possibility of entering into a licensing agreement with Sega, but abandoned the effort because the agreement would have required that Sega be the exclusive manufacturer of all games produced by Accolade.

Accolade used a two-step process to render its video games compatible with the Genesis console. First, it “reverse engineered” Sega’s video game programs in order to discover the requirements for compatibility with the Genesis console. As part of the reverse engineering process, Accolade transformed the machine-readable object code contained in commercially available copies of Sega’s game cartridges into human-readable source code using a process called “disassembly” or “decompilation”. Accolade purchased a Genesis console and three Sega game cartridges, wired a decompiler into the console circuitry, and generated printouts of the resulting source code.<sup>7</sup> Accolade engineers studied and annotated the printouts in order to identify areas of commonality among the three game programs. They then loaded the disassembled code back into a computer, and experimented to discover the interface specifications for the Genesis console by modifying the programs and studying the results. At the end of the reverse engineering process, Accolade created a development manual that incorporated the information it had discovered about the requirements for a Genesis-compatible game. According to the Accolade employees who created the manual, the manual contained only functional descriptions of the interface requirements and did not include any of Sega’s code.

In the second stage, Accolade created its own games for the Genesis. According to Accolade, at this stage it did not copy Sega’s programs, but relied only on the information concerning interface specifications for

the Genesis that was contained in its development manual. Accolade maintains that with the exception of the interface specifications, none of the code in its own games is derived in any way from its examination of Sega's code. In 1990, Accolade released "Ishido", a game which it had originally developed and released for use with the Macintosh and IBM personal computer systems, for use with the Genesis console.

### **III. Copyright Issues**

Accolade raises four arguments in support of its position that disassembly of the object code in a copyrighted computer program does not constitute copyright infringement. First, it maintains that intermediate copying does not infringe the exclusive rights granted to copyright owners in section 106 of the Copyright Act unless the end product of the copying is substantially similar to the copyrighted work. Second, it argues that disassembly of object code in order to gain an understanding of the ideas and functional concepts embodied in the code is lawful under section 102(b) of the Act, which exempts ideas and functional concepts from copyright protection. Third, it suggests that disassembly is authorized by section 117 of the Act, which entitles the lawful owner of a copy of a computer program to load the program into a computer. Finally, Accolade contends that disassembly of object code in order to gain an understanding of the ideas and functional concepts embodied in the code is a fair use that is privileged by section 107 of the Act.

Neither the language of the Act nor the law of this circuit supports Accolade's first three arguments. Accolade's fourth argument, however, has merit. Although the question is fairly debatable, we conclude based on the policies underlying the Copyright Act that disassembly of copyrighted object code is, as a matter of law, a fair use of the copyrighted work if such disassembly provides the only means of access to those elements of the code that are not protected by copyright and the copier has a legitimate reason for seeking such access.

#### **A. Intermediate Copying**

We have previously held that the Copyright Act does not distinguish between unauthorized copies of a copyrighted work on the basis of what stage of the alleged infringer's work the unauthorized copies represent. *Walker v. University Books*, 602 F.2d 859, 864 (9th Cir.1979). Our holding in *Walker* was based on the plain language of the Act. Section 106 grants to the copyright owner the exclusive rights "to reproduce the work in copies", "to prepare derivative works based upon the copyrighted work", and to authorize the preparation of copies and derivative works. 17 U.S.C. § 106(1)–(2). Section 501 provides that "[a]nyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 118 ... is an infringer of the copyright." *Id.* § 501(a). On its face, that language unambiguously encompasses and proscribes "intermediate copying."

In order to constitute a "copy" for purposes of the Act, the allegedly infringing work must be fixed in some tangible form, "from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device." 17 U.S.C. § 101. The computer file generated by the disassembly program, the printouts of the disassembled code, and the computer files containing Accolade's modifications of the code that were generated during the reverse engineering process all satisfy that requirement. The intermediate copying done by Accolade therefore falls squarely within the category of acts that are prohibited by the statute.

In light of the unambiguous language of the Act, we decline to depart from the rule set forth in *Walker* for copyrighted works generally. Accordingly, we hold that intermediate copying of computer object code may infringe the exclusive rights granted to the copyright owner in section 106 of the Copyright Act regardless of whether the end product of the copying also infringes those rights. If intermediate copying is permissible under the Act, authority for such copying must be found in one of the statutory provisions to which the rights granted in section 106 are subject.

### **B. The Idea/Expression Distinction**

Accolade next contends that disassembly of computer object code does not violate the Copyright Act because it is necessary in order to gain access to the ideas and functional concepts embodied in the code, which are not protected by copyright. 17 U.S.C. § 102(b). Because humans cannot comprehend object code, it reasons, disassembly of a commercially available computer program into human-readable form should not be considered an infringement of the owner's copyright. Insofar as Accolade suggests that disassembly of object code is lawful *per se*, it seeks to overturn settled law.

Accolade's argument regarding access to ideas is, in essence, an argument that object code is not eligible for the full range of copyright protection. Although some scholarly authority supports that view, we have previously rejected it based on the language and legislative history of the Copyright Act.

As recommended by the National Commission on New Technological Uses of Copyrighted Works (CONTU), the 1980 amendments to the Copyright Act unambiguously extended copyright protection to computer programs. Pub.L. 96–517, sec. 10, 94 Stat. 3028 (1980) (codified at 17 U.S.C. §§ 101, 117); see National Commission on New Technological Uses of Copyrighted Works, Final Report 1 (1979) [CONTU Report]. The Act makes no distinction between the copyrightability of those programs which directly interact with the computer user and those which simply manage the computer system. Nor does the Act require that a work be directly accessible to humans in order to be eligible for copyright protection. Rather, it extends protection to all original works “which ... can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 102(a). The statutory language, read together with the CONTU report, leads inexorably to the conclusion that the copyright in a computer program extends to the object code version of the program.

### **C. Section 117**

Section 117 of the Copyright Act allows the lawful owner of a copy of a computer program to copy or adapt the program if the new copy or adaptation “is created as an essential step in the utilization of the computer program in conjunction with a machine and ... is used in no other manner.” 17 U.S.C. § 117(1). Accolade contends that section 117 authorizes disassembly of the object code in a copyrighted computer program.

Section 117 was enacted on the recommendation of CONTU, which noted that because the placement of any copyrighted work into a computer is the preparation of a copy [since the program is loaded into the computer's memory], the law should provide that persons in rightful possession of copies of programs be able to use them freely without fear of exposure to copyright liability. We think it is clear that Accolade's use went far beyond that contemplated by CONTU and authorized by section 117. Section 117 does not purport to protect a user who disassembles object code, converts it from assembly into source code, and makes printouts and photocopies of the refined source code version.

## D. Fair Use

Accolade contend that its disassembly of copyrighted object code as a necessary step in its examination of the unprotected ideas and functional concepts embodied in the code is a fair use that is privileged by section 107 of the Act. Because, in the case before us, disassembly is the only means of gaining access to those unprotected aspects of the program, and because Accolade has a legitimate interest in gaining such access (in order to determine how to make its cartridges compatible with the Genesis console), we agree with Accolade. Where there is good reason for studying or examining the unprotected aspects of a copyrighted computer program, disassembly for purposes of such study or examination constitutes a fair use.

### 1.

Section 107 lists the factors to be considered in determining whether a particular use is a fair one. Those factors 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.

17 U.S.C. § 107. The statutory factors are not exclusive. Rather, the doctrine of fair use is in essence “an equitable rule of reason.”

In determining that Accolade’s disassembly of Sega’s object code did not constitute a fair use, the district court treated the first and fourth statutory factors as dispositive, and ignored the second factor entirely. Given the nature and characteristics of Accolade’s direct use of the copied works, the ultimate use to which Accolade put the functional information it obtained, and the nature of the market for home video entertainment systems, we conclude that neither the first nor the fourth factor weighs in Sega’s favor. In fact, we conclude that both factors support Accolade’s fair use defense, as does the second factor, a factor which is important to the resolution of cases such as the one before us.

### (a)

With respect to the first statutory factor, we observe initially that the fact that copying is for a commercial purpose weighs against a finding of fair use. *Harper & Row*, 471 U.S. at 562. However, the presumption of unfairness that arises in such cases can be rebutted by the characteristics of a particular commercial use. Further the commercial nature of a use is a matter of degree, not an absolute.

Sega argues that because Accolade copied its object code in order to produce a competing product, the *Harper & Row* presumption applies and precludes a finding of fair use. That analysis is far too simple and ignores a number of important considerations. We must consider other aspects of “the purpose and character of the use” as well.

The declarations of Accolade's employees indicate, and the district court found, that Accolade copied Sega's software solely in order to discover the functional requirements for compatibility with the Genesis console—aspects of Sega's programs that are not protected by copyright. U.S.C. § 102(b). With respect to the video game programs contained in Accolade's game cartridges, there is no evidence in the record that Accolade sought to avoid performing its own creative work. Indeed, most of the games that Accolade released for use with the Genesis console were originally developed for other hardware systems. Moreover, with respect to the interface procedures for the Genesis console, Accolade did not seek to avoid paying a customarily charged fee for use of those procedures, nor did it simply copy Sega's code; rather, it wrote its own procedures based on what it had learned through disassembly. Taken together, these facts indicate that although Accolade's ultimate purpose was the release of Genesis-compatible games for sale, its direct purpose in copying Sega's code, and thus its direct use of the copyrighted material, was simply to study the functional requirements for Genesis compatibility so that it could modify existing games and make them usable with the Genesis console. Moreover, as we discuss below, no other method of studying those requirements was available to Accolade. On these facts, we conclude that Accolade copied Sega's code for a legitimate, essentially non-exploitative purpose, and that the commercial aspect of its use can best be described as of minimal significance.

We further note that we are free to consider the public benefit resulting from a particular use notwithstanding the fact that the alleged infringer may gain commercially. Public benefit need not be direct or tangible, but may arise because the challenged use serves a public interest. In the case before us, Accolade's identification of the functional requirements for Genesis compatibility has led to an increase in the number of independently designed video game programs offered for use with the Genesis console. It is precisely this growth in creative expression, based on the dissemination of other creative works and the unprotected ideas contained in those works, that the Copyright Act was intended to promote. The fact that Genesis-compatible video games are not scholarly works, but works offered for sale on the market, does not alter our judgment in this regard. We conclude that given the purpose and character of Accolade's use of Sega's video game programs, the presumption of unfairness has been overcome and the first statutory factor weighs in favor of Accolade.

**(b)**

As applied, the fourth statutory factor, effect on the potential market for the copyrighted work, bears a close relationship to the “purpose and character” inquiry in that it, too, accommodates the distinction between the copying of works in order to make independent creative expression possible and the simple exploitation of another's creative efforts. We must, of course, inquire whether, if the challenged use should become widespread, it would adversely affect the potential market for the copyrighted work, by diminishing potential sales, interfering with marketability, or usurping the market.

By facilitating the entry of a new competitor, the first lawful one that is not a Sega licensee, Accolade's disassembly of Sega's software undoubtedly “affected” the market for Genesis-compatible games in an indirect fashion. There is no basis for assuming that Accolade's “Ishido” has significantly affected the market for Sega's “Altered Beast”, since a consumer might easily purchase both; nor does it seem unlikely that a consumer particularly interested in sports might purchase both Accolade's “Mike Ditka Power Football” and Sega's “Joe Montana Football”, particularly if the games are, as Accolade contends, not substantially similar. In any event, an attempt to monopolize the market by making it impossible for others to compete runs

counter to the statutory purpose of promoting creative expression and cannot constitute a strong equitable basis for resisting the invocation of the fair use doctrine. Thus, we conclude that the fourth statutory factor weighs in Accolade's, not Sega's, favor, notwithstanding the minor economic loss Sega may suffer.

(c)

The second statutory factor, the nature of the copyrighted work, reflects the fact that not all copyrighted works are entitled to the same level of protection. The protection established by the Copyright Act for original works of authorship does not extend to the ideas underlying a work or to the functional or factual aspects of the work. 17 U.S.C. § 102(b).

Computer programs pose unique problems for the application of the “idea/expression distinction” that determines the extent of copyright protection. To the extent that there are many possible ways of accomplishing a given task or fulfilling a particular market demand, the programmer's choice of program structure and design may be highly creative and idiosyncratic. However, computer programs are, in essence, utilitarian articles—articles that accomplish tasks. As such, they 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. *Computer Assoc. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir.1992) (“CAI ”). In some circumstances, even the exact set of commands used by the programmer is deemed functional rather than creative for purposes of copyright. When specific instructions, even though previously copyrighted, are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement.

Sega argues that even if many elements of its video game programs are properly characterized as functional and therefore not protected by copyright, Accolade copied protected expression. Sega is correct. The record makes clear that disassembly is wholesale copying. Because computer programs are also unique among copyrighted works in the form in which they are distributed for public use, however, Sega's observation does not bring us much closer to a resolution of the dispute.

The unprotected aspects of most functional works are readily accessible to the human eye. The systems described in accounting textbooks or the basic structural concepts embodied in architectural plans, to give two examples, can be easily copied without also copying any of the protected, expressive aspects of the original works. Computer programs, however, are typically distributed for public use in object code form, embedded in a silicon chip or on a floppy disk. For that reason, humans often cannot gain access to the unprotected ideas and functional concepts contained in object code without disassembling that code—i.e., making copies.

The district court suggested that Accolade could have avoided a copyright infringement suit by programming in a “clean room”. That finding is clearly erroneous. A “clean room” is a procedure used in the computer industry in order to prevent direct copying of a competitor's code during the development of a competing product. Programmers in clean rooms are provided only with the functional specifications for the desired program. The use of a clean room would not have avoided the need for disassembly because disassembly was necessary in order to discover the functional specifications for a Genesis-compatible game.

The record clearly establishes that disassembly of the object code in Sega's video game cartridges was necessary in order to understand the functional requirements for Genesis compatibility. The interface



procedures for the Genesis console are distributed for public use only in object code form, and are not visible to the user during operation of the video game program. Because object code cannot be read by humans, it must be disassembled, either by hand or by machine. Disassembly of object code necessarily entails copying. Those facts dictate our analysis of the second statutory fair use factor. If disassembly of copyrighted object code is per se an unfair use, the owner of the copyright gains a de facto monopoly over the functional aspects of his work—aspects that were expressly denied copyright protection by Congress. U.S.C. § 102(b).

Because Sega's video game programs contain unprotected aspects that cannot be examined without copying, we afford them a lower degree of protection than more traditional literary works. In light of all the considerations discussed above, we conclude that the second statutory factor also weighs in favor of Accolade.

(d)

As to the third statutory factor, Accolade disassembled entire programs written by Sega. Accordingly, the third factor weighs against Accolade. The fact that an entire work was copied does not, however, preclude a finding a fair use. *Sony Corp.*, 464 U.S. at 449–50. In fact, where the ultimate (as opposed to direct) use is as limited as it was here, the factor is of very little weight.

(e)

In summary, careful analysis of the purpose and characteristics of Accolade's use of Sega's video game programs, the nature of the computer programs involved, and the nature of the market for video game cartridges yields the conclusion that the first, second, and fourth statutory fair use factors weigh in favor of Accolade, while only the third weighs in favor of Sega, and even then only slightly. Accordingly, Accolade clearly has by far the better case on the fair use issue.

We are not unaware of the fact that to those used to considering copyright issues in more traditional contexts, our result may seem incongruous at first blush. To oversimplify, the record establishes that Accolade, a commercial competitor of Sega, engaged in wholesale copying of Sega's copyrighted code as a preliminary step in the development of a competing product. However, the key to this case is that we are dealing with computer software, a relatively unexplored area in the world of copyright law. We must avoid the temptation of trying to force the proverbial square peg into a round hole.

In determining whether a challenged use of copyrighted material is fair, a court must keep in mind the public policy underlying the Copyright Act. The immediate effect of our copyright law is to secure a fair return for an author's creative labor. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good. When technological change has rendered an aspect or application of the Copyright Act ambiguous, the Copyright Act must be construed in light of this basic purpose. As discussed above, the fact that computer programs are distributed for public use in object code form often precludes public access to the ideas and functional concepts contained in those programs, and thus confers on the copyright owner a *de facto* monopoly over those ideas and functional concepts. That result defeats the fundamental purpose of the Copyright Act—to encourage the production of original works by protecting the expressive elements of those works while leaving the ideas, facts, and functional concepts in the public domain for others to build on.

(f)

We conclude that where disassembly is the only way to gain access to the ideas and functional elements embodied in a copyrighted computer program and where there is a legitimate reason for seeking such access, disassembly is a fair use of the copyrighted work, as a matter of law. Our conclusion does not, of course, insulate Accolade from a claim of copyright infringement with respect to its finished products. Sega has reserved the right to raise such a claim, and it may do so on remand.

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## Check Your Understanding – *Sega*

**Question 1.** Why did the court find that Accolade's disassembly of the object code in Sega's copyrighted computer program did not constitute copyright infringement?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-122>

**Question 2.** According to the *Sega* court, under what circumstances is the unauthorized disassembly of a copyrighted computer program in order to gain an understanding of the unprotected functional elements of the program fair use as a matter of law?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-123>

**Question 3.** Which of the statutory fair use factors was found to weigh against Accolade?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-124>

Some things to consider when reading *Google v. Oracle*:

1. This represents the first time the Supreme Court has taken up the fair use defense since it decided *Campbell* in 1994, and is the Court's only decision that directly addresses fair use in the context of

computer software.

2. The *Google v. Oracle* decision is long and involves a great deal of quite technical discussion of the software involved. The author of this casebook has edited the case down quite substantially, in an attempt to retain the holding and significant legal aspects of the decision, while treating the copyrighted subject matter at issue at a relatively high level of abstraction. Those with the interest are encouraged to read the full length decision, including the dissent by Justice Thomas.
3. As noted above in the “things to consider” section appearing before the *Sega* decision, courts often downplay the significance of the second fair use factor, *i.e.*, the nature of the copyrighted work. In software cases, however, it can play a more prominent role in deciding a question of fair use. We see an example of this in *Google v. Oracle*, as highlighted by the fact that the Court chooses to address the second statutory factor first.
4. Many would say that the decision emphasizes the transformative nature of the use and deemphasizes commerciality. What do you think?
5. What role does the good faith (or bad-faith) of an infringer have in the fair use analysis?
6. It was probably significant that the Court believed that much of the value in the copied code lay not in its expressive qualities, but rather “because users, including programmers, are just used to it. . . . We have no reason to believe that the Copyright Act seeks to protect third parties’ investment in learning how to operate a created work.”

### *Google LLC v. Oracle Am., Inc.*

593 U.S. 1 (2021)

Justice BREYER delivered the opinion of the Court.

Oracle America, Inc., is the current owner of a copyright in Java SE, a computer program that uses the popular Java computer programming language. Google, without permission, has copied a portion of that program, a portion that enables a programmer to call up prewritten software that, together with the computer’s hardware, will carry out a large number of specific tasks. We hold that the copying here at issue constituted a fair use. Hence, Google’s copying did not violate the copyright law.

#### I

In 2005, Google acquired Android, Inc., a startup firm that hoped to become involved in smartphone software. Google sought, through Android, to develop a software platform for mobile devices like smartphones. A platform provides the necessary infrastructure for computer programmers to develop new programs and applications. One might think of a software platform as a kind of factory floor where computer programmers (analogous to autoorkers, designers, or manufacturers) might come, use sets of tools found there, and create new applications for use in, say, smartphones.

Google envisioned an Android platform that was free and open, such that software developers could use the tools found there free of charge. Its idea was that more and more developers using its Android platform would develop ever more Android-based applications, all of which would make Google’s Android-based

smartphones more attractive to ultimate consumers. Consumers would then buy and use ever more of those phones. That vision required attracting a sizeable number of skilled programmers.

At that time, many software developers understood and wrote programs using the Java programming language, a language invented by Sun Microsystems (Oracles predecessor). About six million programmers had spent considerable time learning, and then using, the Java language. Many of those programmers used Sun's own popular Java SE platform to develop new programs primarily for use in desktop and laptop computers. That platform allowed developers using the Java language to write programs that were able to run on any desktop or laptop computer, regardless of the underlying hardware.

Shortly after acquiring the Android firm, Google began talks with Sun about the possibility of licensing the entire Java platform for its new smartphone technology. Google's negotiations with Sun broke down. Google then built its own platform.

The record indicates that roughly 100 Google engineers worked for more than three years to create Google's Android platform software. In doing so, Google tailored the Android platform to smartphone technology, which differs from desktop and laptop computers in important ways. A smartphone, for instance, may run on a more limited battery or take advantage of GPS technology. The Android platform offered programmers the ability to program for that environment. To build the platform, Google wrote millions of lines of new code. Because Google wanted millions of programmers, familiar with Java, to be able easily to work with its new Android platform, it also copied roughly 11,500 lines of [declaring code] from the Java SE program. The copied lines of [declaring code] are part of a tool called an Application Programming Interface, or API.<sup>8</sup>

In doing so, Google copied that portion of the Sun Java API that allowed programmers expert in the Java programming language to use the "task calling" system that they had already learned. By using the same declaring code for those packages, programmers using the Android platform can rely on the method calls that they are already familiar with to call up particular tasks (e.g., determining which of two integers is the greater); but Google's own implementing programs carry out those tasks. Without that copying, programmers would need to learn an entirely new system to call up the same tasks.

We add that the Android platform has been successful. Within five years of its release in 2007, Android-based devices claimed a large share of the United States market. As of 2015, Android sales produced more than \$42 billion in revenue.

In 2010 Oracle Corporation bought Sun. Soon thereafter Oracle brought this lawsuit in the United States District Court for the Northern District of California.

*[Editor's note: The Federal Circuit ultimately held that Google's use of the declaring code contained in the Java API packages was not a fair use. It wrote that "[t]here is nothing fair about taking a copyrighted work verbatim and using it for the same purpose and function as the original in a competing platform." Google successfully petitioned for certiorari.]*

### III

A copyright holder cannot prevent another person from making a "fair use" of copyrighted material. 17 U.S.C. § 107.

We have described the “fair use” doctrine, originating in the courts, as an equitable rule of reason that permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster. The statutory provision that embodies the doctrine indicates, rather than dictates, how courts should apply it. The provision says:

“[T]he fair use of a copyrighted work, ... for purposes such as criticism, comment, news reporting, teaching ... 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. § 107.

We have understood the provision to set forth general principles, the application of which requires judicial balancing, depending upon relevant circumstances, including “significant changes in technology.” *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 430 (1984).

The language of § 107, the “fair use” provision, reflects its judge-made origins. That background, as well as modern courts’ use of the doctrine, makes clear that the concept is flexible, that courts must apply it in light of the sometimes conflicting aims of copyright law, and that its application may well vary depending upon context. Thus, copyright’s protection may be stronger where the copyrighted material is fiction, not fact, where it consists of a motion picture rather than a news broadcast, or where it serves an artistic rather than a utilitarian function. Similarly, courts have held that in some circumstances, say, where copyrightable material is bound up with uncopyrightable material, copyright protection is “thin.”

Generically speaking, computer programs differ from books, films, and many other “literary works” in that such programs almost always serve functional purposes. These and other differences have led at least some judges to complain that “applying copyright law to computer programs is like assembling a jigsaw puzzle whose pieces do not quite fit.” *Lotus Development Corp. v. Borland Int’l, Inc.*, 49 F.3d 807, 820 (C.A.1 1995) (BOUDIN, J., concurring).

These differences also led Congress to think long and hard about whether to grant computer programs copyright protection. In 1974, Congress established a National Commission on New Technological Uses of Copyrighted Works (CONTU) to look into the matter. After several years of research, CONTU concluded that the “availability of copyright protection for computer programs is desirable.” Final Report 11 (July 31, 1978). At the same time, it recognized that computer programs had unique features. Mindful of not “unduly burdening users of programs and the general public,” it wrote that copyright “should not grant anyone more economic power than is necessary to achieve the incentive to create.” And it believed that copyright’s existing doctrines (e.g., fair use), applied by courts on a case-by-case basis, could prevent holders from using copyright to stifle innovation. Congress then wrote computer program protection into the law.

The upshot, in our view, is that fair use can play an important role in determining the lawful scope of a computer program copyright, such as the copyright at issue here. It can help to distinguish among technologies. It can distinguish between expressive and functional features of computer code where those features are mixed. It can focus on the legitimate need to provide incentives to produce copyrighted material while examining the extent to which yet further protection creates unrelated or illegitimate harms in other markets or to the development of other products. In a word, it can carry out its basic purpose of providing a context-based check that can help to keep a copyright monopoly within its lawful bounds.

Just as fair use distinguishes among books and films, which are indisputably subjects of copyright, so too must it draw lines among computer programs. And just as fair use takes account of the market in which scripts and paintings are bought and sold, so too must it consider the realities of how technological works are created and disseminated.

## VI

We shall consider the four factors set forth in the fair use statute as we find them applicable to the kind of computer programs before us. For expository purposes, we begin with the second.

### A. “The Nature of the Copyrighted Work”

*[Editor’s note: The court explained that the declaring code that Google had copied labels and organizes tasks, and analogized this organization to “file cabinets, drawers, and files.”]*

The declaring code at issue here resembles other copyrighted works in that it is part of a computer program. Congress has specified that computer programs are subjects of copyright. It differs, however, from many other kinds of copyrightable computer code. It is inextricably bound together with a general system, the division of computing tasks, that no one claims is a proper subject of copyright. It is inextricably bound up with the idea of organizing tasks into what we have called cabinets, drawers, and files, an idea that is also not copyrightable. It is inextricably bound up with the use of specific commands known to programmers, known here as method calls (such as `java.lang.Math.max`, etc.), that Oracle does not here contest.

The declaring code differs to some degree from the mine run of computer programs. Like other computer programs, it is functional in nature. But unlike many other programs, its use is inherently bound together with uncopyrightable ideas (general task division and organization) and new creative expression (Android’s implementing code). Unlike many other programs, its value in significant part derives from the value that those who do not hold copyrights, namely, computer programmers, invest of their own time and effort to learn the API’s system. And unlike many other programs, its value lies in its efforts to encourage programmers to learn and to use that system so that they will use (and continue to use) Sun-related implementing programs that Google did not copy.

In our view, for the reasons just described, the declaring code is, if copyrightable at all, further than are most computer programs (such as the implementing code) from the core of copyright. That fact diminishes the fear, expressed by both the dissent and the Federal Circuit, that application of “fair use” here would seriously undermine the general copyright protection that Congress provided for computer programs. And it means that this factor, “the nature of the copyrighted work,” points in the direction of fair use.

## **B. “The Purpose and Character of the Use”**

Google copied portions of the Sun Java API precisely, and it did so in part for the same reason that Sun created those portions, namely, to enable programmers to call up implementing programs that would accomplish particular tasks. But since virtually any unauthorized use of a copyrighted computer program (say, for teaching or research) would do the same, to stop here would severely limit the scope of fair use in the functional context of computer programs. Rather, in determining whether a use is “transformative,” we must go further and examine the copying’s more specifically described “purpose[s]” and “character.” 17 U.S.C. § 107(1).

Here Google’s use of the Sun Java API seeks to create new products. It seeks to expand the use and usefulness of Android-based smartphones. Its new product offers programmers a highly creative and innovative tool for a smartphone environment. To the extent that Google used parts of the Sun Java API to create a new platform that could be readily used by programmers, its use was consistent with that creative “progress” that is the basic constitutional objective of copyright itself.

The jury heard that Google limited its use of the Sun Java API to tasks and specific programming demands related to Android. It copied the API (which Sun created for use in desktop and laptop computers) only insofar as needed to include tasks that would be useful in smartphone programs. And it did so only insofar as needed to allow programmers to call upon those tasks without discarding a portion of a familiar programming language and learning a new one. To repeat, Google, through Android, provided a new collection of tasks operating in a distinct and different computing environment. Those tasks were carried out through the use of new implementing code (that Google wrote) designed to operate within that new environment.

The record here demonstrates the numerous ways in which reimplementing an interface can further the development of computer programs. The jury heard that shared interfaces are necessary for different programs to speak to each other. It heard that the reimplementation of interfaces is necessary if programmers are to be able to use their acquired skills. It heard that the reuse of APIs is common in the industry. It heard that Sun itself had used pre-existing interfaces in creating Java. And it heard that Sun executives thought that widespread use of the Java programming language, including use on a smartphone platform, would benefit the company.

These and related facts convince us that the “purpose and character” of Google’s copying was transformative—to the point where this factor too weighs in favor of fair use.

There are two other considerations that are often taken up under the first factor: commerciality and good faith. The text of § 107 includes various noncommercial uses, such as teaching and scholarship, as paradigmatic examples of privileged copying. There is no doubt that a finding that copying was not commercial in nature tips the scales in favor of fair use. But the inverse is not necessarily true, as many common fair uses are indisputably commercial. For instance, the text of § 107 includes examples like “news reporting,” which is often done for commercial profit. So even though Google’s use was a commercial endeavor, that is not dispositive of the first factor, particularly in light of the inherently transformative role that the reimplementation played in the new Android system.

As for bad faith, our decision in *Campbell* expressed some skepticism about whether bad faith has any

role in a fair use analysis. We find this skepticism justifiable, as copyright is not a privilege reserved for the well-behaved. We have no occasion here to say whether good faith is as a general matter a helpful inquiry. We simply note that given the strength of the other factors pointing toward fair use and the jury finding in Google's favor on hotly contested evidence, that factbound consideration is not determinative in this context.

### **C. "The Amount and Substantiality of the Portion Used"**

If one considers the declaring code in isolation, the quantitative amount of what Google copied was large. Google copied the declaring code for 37 packages of the Sun Java API, totaling approximately 11,500 lines of code. Those lines of code amount to virtually all the declaring code needed to call up hundreds of different tasks. On the other hand, if one considers the entire set of software material in the Sun Java API, the quantitative amount copied was small. The total set of Sun Java API computer code, including implementing code, amounted to 2.86 million lines, of which the copied 11,500 lines were only 0.4 percent.

Several features of Google's copying suggest that the better way to look at the numbers is to take into account the several million lines that Google did not copy. For one thing, the Sun Java API is inseparably bound to those task-implementing lines. Its purpose is to call them up. For another, Google copied those lines not because of their creativity, their beauty, or even (in a sense) because of their purpose. It copied them because programmers had already learned to work with the Sun Java API's system, and it would have been difficult, perhaps prohibitively so, to attract programmers to build its Android smartphone system without them. Further, Google's basic purpose was to create a different task-related system for a different computing environment (smartphones) and to create a platform—the Android platform—that would help achieve and popularize that objective. The "substantiality" factor will generally weigh in favor of fair use where, as here, the amount of copying was tethered to a valid, and transformative, purpose.

We consequently believe that this "substantiality" factor weighs in favor of fair use.

### **D. Market Effects**

The fourth statutory factor focuses upon the "effect" of the copying in the "market for or value of the copyrighted work." 17 U.S.C. § 107(4). Consideration of this factor, at least where computer programs are at issue, can prove more complex than at first it may seem. It can require a court to consider the amount of money that the copyright owner might lose.

But a potential loss of revenue is not the whole story. We here must consider not just the amount but also the source of the loss. Further, we must take into account the public benefits the copying will likely produce. Are those benefits, for example, related to copyright's concern for the creative production of new expression? Are they comparatively important, or unimportant, when compared with dollar amounts likely lost (taking into account as well the nature of the source of the loss)?

We do not say that these questions are always relevant to the application of fair use, not even in the world of computer programs. Nor do we say that these questions are the only questions a court might ask. But we do find them relevant here in helping to determine the likely market effects of Google's reimplementations.

As to the likely amount of loss, the jury could have found that Android did not harm the actual or potential



markets for Java SE. And it could have found that Sun itself (now Oracle) would not have been able to enter those markets successfully whether Google did, or did not, copy a part of its API. First, evidence at trial demonstrated that, regardless of Android's smartphone technology, Sun was poorly positioned to succeed in the mobile phone market. The jury heard ample evidence that Java SE's primary market was laptops and desktops. It also heard that Sun's many efforts to move into the mobile phone market had proved unsuccessful. As far back as 2006, prior to Android's release, Sun's executives projected declining revenue for mobile phones because of emerging smartphone technology. When Sun's former CEO was asked directly whether Sun's failure to build a smartphone was attributable to Google's development of Android, he answered that it was not. Given the evidence showing that Sun was beset by business challenges in developing a mobile phone product, the jury was entitled to agree with that assessment.

Second, the jury was repeatedly told that devices using Google's Android platform were different in kind from those that licensed Sun's technology. For instance, witnesses explained that the broader industry distinguished between smartphones and simpler "feature phones." As to the specific devices that used Sun-created software, the jury heard that one of these phones lacked a touchscreen, while another did not have a QWERTY keyboard. For other mobile devices, the evidence showed that simpler products, like the Kindle, used Java software, while more advanced technology, like the Kindle Fire, were built on the Android operating system. This record evidence demonstrates that, rather than just repurposing Sun's code from larger computers to smaller computers, Google's Android platform was part of a distinct (and more advanced) market than Java software.

Looking to these important differences, Google's economic expert told the jury that Android was not a market substitute for Java's software.

Finally, the jury also heard evidence that Sun foresaw a benefit from the broader use of the Java programming language in a new platform like Android, as it would further expand the network of Java-trained programmers. In other words, the jury could have understood Android and Java SE as operating in two distinct markets. And because there are two markets at issue, programmers learning the Java language to work in one market (smartphones) are then able to bring those talents to the other market (laptops).

On the other hand, Google's copying helped Google make a vast amount of money from its Android platform. And enforcement of the Sun Java API copyright might give Oracle a significant share of these funds. It is important, however, to consider why and how Oracle might have become entitled to this money. When a new interface, like an API or a spreadsheet program, first comes on the market, it may attract new users because of its expressive qualities, such as a better visual screen or because of its superior functionality. As time passes, however, it may be valuable for a different reason, namely, because users, including programmers, are just used to it. They have already learned how to work with it. See *Lotus Development Corp.*, 49 F.3d at 821 (BOUDIN, J., concurring).

The record here is filled with evidence that this factor accounts for Google's desire to use the Sun Java API. This source of Android's profitability has much to do with third parties' (say, programmers') investment in Sun Java programs. It has correspondingly less to do with Sun's investment in creating the Sun Java API. We have no reason to believe that the Copyright Act seeks to protect third parties' investment in learning how to operate a created work.

Finally, given programmers' investment in learning the Sun Java API, to allow enforcement of Oracle's copyright here would risk harm to the public. Given the costs and difficulties of producing alternative APIs with similar appeal to programmers, allowing enforcement here would make of the Sun Java API's declaring code a lock limiting the future creativity of new programs. Oracle alone would hold the key. The result could well prove highly profitable to Oracle (or other firms holding a copyright in computer interfaces). But those profits could well flow from creative improvements, new applications, and new uses developed by users who have learned to work with that interface. To that extent, the lock would interfere with, not further, copyright's basic creativity objectives. After all, copyright supplies the economic incentive to both create and disseminate ideas, and the reimplementing of a user interface allows creative new computer code to more easily enter the market.

The uncertain nature of Sun's ability to compete in Android's market place, the sources of its lost revenue, and the risk of creativity-related harms to the public, when taken together, convince that this fourth factor—market effects—also weighs in favor of fair use.

\* \* \*

The fact that computer programs are primarily functional makes it difficult to apply traditional copyright concepts in that technological world. See *Lotus Development Corp.*, 49 F.3d at 820 (BOUDIN, J., concurring). In doing so here, we have not changed the nature of those concepts. We do not overturn or modify our earlier cases involving fair use—cases, for example, that involve “knockoff” products, journalistic writings, and parodies. Rather, we here recognize that application of a copyright doctrine such as fair use has long proved a cooperative effort of Legislatures and courts, and that Congress, in our view, intended that it so continue. As such, we have looked to the principles set forth in the fair use statute, § 107, and set forth in our earlier cases, and applied them to this different kind of copyrighted work.

We reach the conclusion that in this case, where Google reimplemented a user interface, taking only what was needed to allow users to put their accrued talents to work in a new and transformative program, Google's copying of the Sun Java API was a fair use of that material as a matter of law. The Federal Circuit's contrary judgment is reversed, and the case is remanded for further proceedings in conformity with this opinion.

*[Dissenting opinion of Justice THOMAS, with whom Justice ALITO joined, is omitted]*

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## Check Your Understanding – *Google v. Oracle*

**Question 1.** In *Google v. Oracle*, which of the following considerations was given the most weight in the Court's fair use analysis?

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<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-125>

**Question 2.** In *Google v. Oracle*, how did Oracle's declaring code differ from a typical computer program, according to the Court?



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<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-126>

**Question 3.** True or false: *Google v. Oracle* calls into question the relevance of good or bad faith in a fair use analysis.



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<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-127>

**Questions 4.** What was the significance of the Court's conclusion in *Google v. Oracle* that Android's profitability has more to do with programmers' investment in Sun Java programs than with Sun's investment in creating the Sun Java API?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-128>

Some things to consider when reading *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*:

1. As of the time this casebook is being updated, this decision represents the Supreme Court's last word on fair use. It came out only two years after *Google v. Oracle*.
2. It is probably quite significant that the case was limited to the question of whether AWF's "commercial licensing" of Andy Warhol's work qualified for the fair use defense, and the Court did not consider the fair use implications of the creation, distribution, or display of his presumably infringing works.
3. Note the significance the Court attributes to the fact that the Copyright Act explicitly protects derivative works, and that the statutory definition of derivative work explicitly uses the word "transformed."

4. Note the Court's discussion of a scenario in which a derivative work that borrows heavily from an original work might nonetheless constitute fair use.
5. Consider the implications for commercial photographers if the Court were to deem AWF's commercial licensing of the work to be fair use.
6. One of the issues in this case is who should decide whether a defendant's use is transformative. When you compare Goldsmith's original photograph with Warhol's Orange Prince do you personally see much of a difference? Should it matter that art critics consider the two works to convey very different messages?
7. The commercial nature of AWF's use plays an important role in the Court's decision in this case. Has this been true for the other cases you have read, including *Google v. Oracle*?

### *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*

598 U.S. 508 (2023)

Justice SOTOMAYOR delivered the opinion of the Court.

This copyright case involves not one, but two artists. The first, Andy Warhol, is well known. His images of products like Campbell's soup cans and of celebrities like Marilyn Monroe appear in museums around the world. Warhol's contribution to contemporary art is undeniable.

The second, Lynn Goldsmith, is less well known. But she too was a trailblazer. Goldsmith began a career in rock-and-roll photography when there were few women in the genre. Her award-winning concert and portrait images, however, shot to the top. Goldsmith's work appeared in *Life*, *Time*, *Rolling Stone*, and *People* magazines, not to mention the National Portrait Gallery and the Museum of Modern Art. She captured some of the 20th century's greatest rock stars: Bob Dylan, Mick Jagger, Patti Smith, Bruce Springsteen, and, as relevant here, Prince.

In 1984, *Vanity Fair* sought to license one of Goldsmith's Prince photographs for use as an "artist reference." The magazine wanted the photograph to help illustrate a story about the musician. Goldsmith agreed, on the condition that the use of her photo be for "one time" only. The artist *Vanity Fair* hired was Andy Warhol. Warhol made a silkscreen using Goldsmith's photo, and *Vanity Fair* published the resulting image alongside an article about Prince. The magazine credited Goldsmith for the "source photograph," and it paid her \$400.

Warhol, however, did not stop there. From Goldsmith's photograph, he derived 15 additional works. Later, the Andy Warhol Foundation for the Visual Arts, Inc. (AWF) licensed one of those works to Condé Nast, again for the purpose of illustrating a magazine story about Prince. AWF came away with \$10,000. Goldsmith received nothing.

When Goldsmith informed AWF that she believed its use of her photograph infringed her copyright, AWF sued her. The District Court granted summary judgment for AWF on its assertion of "fair use," 17 U.S.C. § 107, but the Court of Appeals for the Second Circuit reversed. In this Court, the sole question presented is whether the first fair use factor, "the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," § 107(1), weighs in favor of AWF's recent

commercial licensing to Condé Nast. On that narrow issue, and limited to the challenged use, the Court agrees with the Second Circuit: The first factor favors Goldsmith, not AWF.

## I

Lynn Goldsmith is a professional photographer. Her specialty is concert and portrait photography of musicians. At age 16, Goldsmith got one of her first shots: an image of the Beatles' "trendy boots" before the band performed live on The Ed Sullivan Show. S. Michel, *Rock Portraits*, N. Y. Times, Dec. 2, 2007, p. G64. Within 10 years, Goldsmith had photographed everyone from Led Zeppelin to James Brown (the latter in concert in Kinshasa, no less). At that time, Goldsmith "had few female peers." *Ibid.* But she was a self-starter. She quickly became "a leading rock photographer" in an era "when women on the scene were largely dismissed as groupies." *Ibid.*

In 1981, Goldsmith convinced Newsweek magazine to hire her to photograph Prince Rogers Nelson, then an "up and coming" and "hot young musician." Newsweek agreed, and Goldsmith took photos of Prince in concert at the Palladium in New York City and in her studio on West 36th Street. Newsweek ran one of the concert photos, together with an article titled "The Naughty Prince of Rock." Goldsmith retained the other photos. She holds copyright in all of them.

One of Goldsmith's studio photographs, a black and white portrait of Prince, is the original copyrighted work at issue in this case. See fig. 1, *infra*.



Figure 1. A black and white portrait photograph of Prince taken in 1981 by Lynn Goldsmith.

In 1984, Goldsmith, through her agency, licensed that photograph to Vanity Fair to serve as an “artist reference for an illustration” in the magazine. The terms of the license were that the illustration was “to be published in Vanity Fair November 1984 issue. It can appear one time full page and one time under one quarter page. No other usage right granted.” Goldsmith was to receive \$400 and a source credit.

To make the illustration, Vanity Fair hired pop artist Andy Warhol. Warhol was already a major figure in American art, known among other things for his silkscreen portraits of celebrities. From Goldsmith’s photograph, Warhol created a silkscreen portrait of Prince, which appeared alongside an article about Prince in the November 1984 issue of Vanity Fair. The article, titled “Purple Fame,” is primarily about the “sexual style” of the new celebrity and his music. Goldsmith received her \$400 fee, and Vanity Fair credited her for the “source photograph.” Warhol received an unspecified amount.



Figure 2. A purple silkscreen portrait of Prince created in 1984 by Andy Warhol to illustrate an article in Vanity Fair

In addition to the single illustration authorized by the Vanity Fair license, Warhol created 15 other works based on Goldsmith’s photograph: 13 silkscreen prints and two pencil drawings. The works are collectively referred to as the “Prince Series.” Goldsmith did not know about the Prince Series until 2016, when she saw the image of an orange silkscreen portrait of Prince (“Orange Prince”) on the cover of a magazine published by Vanity Fair’s parent company, Condé Nast. See fig. 3, *infra*.



Figure 3. An orange silkscreen portrait of Prince on the cover of a special edition magazine published in 2016 by Condé Nast.

By that time, Warhol had died, and the Prince Series had passed to the Andy Warhol Foundation for the Visual Arts, Inc. AWF no longer possesses the works,<sup>9</sup> but it asserts copyright in them. It has licensed images of the works for commercial and editorial uses. In particular, after Prince died in 2016, Condé Nast contacted AWF about the possibility of reusing the 1984 Vanity Fair image for a special edition magazine that would commemorate Prince. Once AWF informed Condé Nast about the other Prince Series images, however, Condé Nast obtained a license to publish Orange Prince instead. The magazine, titled “The Genius of Prince,” is a tribute to “Prince Rogers Nelson, 1958–2016.” It is “devoted to Prince.” Condé Nast paid AWF \$10,000 for the license. Goldsmith received neither a fee nor a source credit.

Remember that Goldsmith, too, had licensed her Prince images to magazines such as Newsweek, to accompany a story about the musician, and Vanity Fair, to serve as an artist reference. But that was not all. Between 1981 and 2016, Goldsmith’s photos of Prince appeared on or between the covers of People, Readers Digest, Guitar World, and Musician magazines.



Figure 4. One of Lynn Goldsmith's photographs of Prince on the cover of Musician magazine.

People magazine, in fact, paid Goldsmith \$1,000 to use one of her copyrighted photographs in a special collector's edition, "Celebrating Prince: 1958–2016," just after Prince died. People's tribute, like Condé Nast's, honors the life and music of Prince. Other magazines, including Rolling Stone and Time, also released special editions. See fig. 5, *infra*. All of them depicted Prince on the cover. All of them used a copyrighted photograph in service of that object. And all of them (except Condé Nast) credited the photographer.





Figure 5. Four special edition magazines commemorating Prince after he died in 2016.

When Goldsmith saw Orange Prince on the cover of Condé Nast's special edition magazine, she recognized her work. "It's the photograph," she later testified. Orange Prince crops, flattens, traces, and colors the photo but otherwise does not alter it. See fig. 6, *infra*.



Figure 6. Warhol's orange silkscreen portrait of Prince superimposed on Goldsmith's portrait photograph.

Goldsmith notified AWF of her belief that it had infringed her copyright. AWF then sued Goldsmith and her agency for a declaratory judgment of noninfringement or, in the alternative, fair use. Goldsmith counterclaimed for infringement.

The District Court granted summary judgment for AWF. The court considered the four fair use factors enumerated in 17 U.S.C. § 107 and held that the Prince Series works made fair use of Goldsmith's photograph. As to the first factor, the works were "transformative" because, looking at them and the photograph "side-by-side," they "have a different character, give Goldsmith's photograph a new expression, and employ new aesthetics with creative and communicative results distinct from Goldsmith's." In particular, the works "can reasonably be perceived to have transformed Prince from a vulnerable, uncomfortable person to an iconic, larger-than-life figure," such that "each Prince Series work is immediately recognizable as a 'Warhol' rather than as a photograph of Prince." Although the second factor, the nature of Goldsmith's copyrighted work (creative and unpublished), "would ordinarily weigh in [her] favor ... , this factor [was] of limited importance because the Prince Series works are transformative." The third factor, the amount and substantiality of the portion used in relation to the copyrighted work, favored AWF because, according to the District Court, "Warhol removed nearly all the photograph's protectible elements in creating the Prince Series." Finally, the fourth factor likewise favored AWF because "the Prince Series works are not market substitutes that have harmed—or have the potential to harm—Goldsmith."

The Court of Appeals for the Second Circuit reversed and remanded. It held that all four fair use factors favored Goldsmith. On the first factor, "the purpose and character of the use," § 107(1), the Court of Appeals rejected the notion that "any secondary work that adds a new aesthetic or new expression to its source material is necessarily transformative." The question was, instead, "whether the secondary work's use of its source material is in service of a fundamentally different and new artistic purpose and character." Such "transformative purpose and character must, at bare minimum, comprise something more than the imposition of another artist's style on the primary work." Here, however, "the overarching purpose and function of the two works at issue ... is identical, not merely in the broad sense that they are created as

works of visual art, but also in the narrow but essential sense that they are portraits of the same person.” The Court of Appeals also rejected the District Court’s logic that “ ‘each Prince Series work’ ” is transformative because it “ ‘is immediately recognizable as a “Warhol,” ’ ” which the Court of Appeals believed would “create a celebrity-plagiarist privilege.”

On the other three factors, the Court of Appeals found that the creative and unpublished nature of Goldsmith’s photograph favored her, that the amount and substantiality of the portion taken (here, “the ‘essence’ ” of the photograph) was not reasonable in relation to the purpose of the use, *id.*, at 45–47; and that AWF’s commercial licensing encroached on Goldsmith’s protected market to license her photograph “to publications for editorial purposes and to other artists to create derivative works,” *id.*, at 48–51. The court noted that there was “no material dispute that both Goldsmith and AWF have sought to license (and indeed have successfully licensed) their respective depictions of Prince to popular print magazines to accompany articles about him.”

Finally, although the District Court had not reached the issue, the Court of Appeals rejected AWF’s argument that the Prince Series works were not substantially similar to Goldsmith’s photograph.

Judge Jacobs concurred. He stressed that the Court of Appeals’ holding “d[id] not consider, let alone decide, whether the infringement here encumbers the original Prince Series works.” Instead, “the only use at issue” was “the Foundation’s commercial licensing” of images of the Prince Series.

## II

AWF does not challenge the Court of Appeals’ holding that Goldsmith’s photograph and the Prince Series works are substantially similar. The question here is whether AWF can defend against a claim of copyright infringement because it made “fair use” of Goldsmith’s photograph. 17 U.S.C. § 107.

Although the Court of Appeals analyzed each fair use factor, the only question before this Court is whether the court below correctly held that the first factor, “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes,” § 107(1), weighs in Goldsmith’s favor. AWF contends that the Prince Series works are “transformative,” and that the first factor therefore weighs in its favor, because the works convey a different meaning or message than the photograph. The Court of Appeals erred, according to AWF, by not considering that new expression.

But the first fair use factor instead focuses on whether an allegedly infringing use has a further purpose or different character, which is a matter of degree, and the degree of difference must be weighed against other considerations, like commercialism. *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994). Although new expression may be relevant to whether a copying use has a sufficiently distinct purpose or character, it is not, without more, dispositive of the first factor.

Here, the specific use of Goldsmith’s photograph alleged to infringe her copyright is AWF’s licensing of Orange Prince to Condé Nast. As portraits of Prince used to depict Prince in magazine stories about Prince, the original photograph and AWF’s copying use of it share substantially the same purpose. Moreover, the copying use is of a **commercial nature**. Even though Orange Prince adds new expression to Goldsmith’s photograph, as the District Court found, this Court agrees with the Court of Appeals that, in the context of the challenged use, the first fair use factor still favors Goldsmith.

## A

The Copyright Act encourages creativity by granting to the author of an original work a bundle of exclusive rights. The Act, however, reflects a balance of competing claims upon the public interest: Creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. Copyright thus trades off the benefits of incentives to create against the costs of restrictions on copying. The Act, for example, limits the duration of copyright, §§ 302–305, as required by the Constitution; makes facts and ideas uncopyrightable, § 102; and limits the scope of copyright owners' exclusive rights, §§ 107–122.

This balancing act between creativity and availability (including for use in new works) is reflected in one such limitation, the defense of “fair use.”

The fair use doctrine “permits courts to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.” *Stewart v. Abend*, 495 U.S. 207, 236 (1990) (internal quotation marks omitted). The Act's fair use provision, in turn, “set[s] forth general principles, the application of which requires judicial balancing, depending upon relevant circumstances.” *Google LLC v. Oracle America, Inc.*, 141 S.Ct. 1183, 1197 (2021). Because those principles apply across a wide range of copyrightable material, from books to photographs to software, fair use is a flexible concept, and its application may well vary depending on context. For example, in applying the fair use provision, copyright's protection may be stronger where the copyrighted material ... serves an artistic rather than a utilitarian function.

## 1

The first fair use factor is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” § 107(1). This factor considers the reasons for, and nature of, the copier's use of an original work. The “central” question it asks is “whether the new work merely ‘supersede[s] the objects’ of the original creation ... (‘supplanting’ the original), or instead adds something new, with a further purpose or different character.” *Campbell*, 510 U.S. at 579. In that way, the first factor relates to the problem of substitution—copyright's *bête noire*. The use of an original work to achieve a purpose that is the same as, or highly similar to, that of the original work is more likely to substitute for, or supplant, the work.

Consider the “purposes” listed in the preamble paragraph of § 107: “criticism, comment, news reporting, teaching ..., scholarship, or research.” Although the examples given are “ ‘illustrative and not limitative,’ ” they reflect “the sorts of copying that courts and Congress most commonly ha[ve] found to be fair uses,” and so may guide the first factor inquiry. *Campbell*, 510 U.S. at 577–578 (quoting § 101). As the Court of Appeals observed, the “examples are easily understood,” as they contemplate the use of an original work to “serv[e] a manifestly different purpose from the [work] itself.” 11 F.4th at 37. Criticism of a work, for instance, ordinarily does not supersede the objects of, or supplant, the work. Rather, it uses the work to serve a distinct end.

Not every instance will be clear cut, however. Whether a use shares the purpose or character of an original work, or instead has a further purpose or different character, is a matter of degree. Most copying has some further purpose, in the sense that copying is socially useful *ex post*. Many secondary works add something new. That alone does not render such uses fair. Rather, the first factor (which is just one factor in a larger

analysis) asks “whether *and to what extent*” the use at issue has a purpose or character different from the original. *Campbell*, 510 U.S. at 579 (emphasis added). The larger the difference, the more likely the first factor weighs in favor of fair use. The smaller the difference, the less likely.

A use that has a further purpose or different character is said to be “‘transformative.’” *Ibid.* (quoting P. Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1111 (1990) (hereinafter Leval)). As before, “transformativeness” is a matter of degree. See *Campbell*, 510 U.S. at 579. That is important because the word “transform,” though not included in § 107, appears elsewhere in the Copyright Act. The statute defines derivative works, which the copyright owner has “the exclusive right[t]” to prepare, § 106(2), to include “any other form in which a work may be recast, transformed, or adapted,” § 101. In other words, the owner has a right to derivative transformations of her work. Such transformations may be substantial, like the adaptation of a book into a movie. To be sure, this right is “[s]ubject to” fair use. § 106; see also § 107. The two are not mutually exclusive. But an overbroad concept of transformative use, one that includes any further purpose, or any different character, would narrow the copyright owner’s exclusive right to create derivative works. To preserve that right, the degree of transformation required to make “transformative” use of an original must go beyond that required to qualify as a derivative.

For example, this Court in *Campbell* considered whether parody may be fair use. In holding that it may, the Court explained that “parody has an obvious claim to transformative value” because “it can provide social benefit, by shedding light on an earlier work, and, in the process, creating a new one.” The use at issue in *Campbell* was 2 Live Crew’s copying of certain lyrics and musical elements from Roy Orbison’s song, “Oh, Pretty Woman,” to create a rap derivative titled “Pretty Woman.” Without a doubt, 2 Live Crew transformed Orbison’s song by adding new lyrics and musical elements, such that “Pretty Woman” had a new message and different aesthetic than “Oh, Pretty Woman.” Indeed, the whole genre of music changed from rock ballad to rap. That was not enough for the first factor to weigh in favor of fair use, however. The Court found it necessary to determine whether 2 Live Crew’s transformation of Orbison’s song rose to the level of parody, a distinct purpose of commenting on the original or criticizing it.

Distinguishing between parody (which targets an author or work for humor or ridicule) and satire (which ridicules society but does not necessarily target an author or work), the Court further explained that “[p]arody needs to mimic an original to make its point, and so has some claim to use the creation of its victim’s (or collective victims’) imagination, whereas satire can stand on its own two feet and so requires justification for the very act of borrowing.” More generally, when “commentary has no critical bearing on the substance or style of the original composition, ... the claim to fairness in borrowing from another’s work diminishes accordingly (if it does not vanish), and other factors, like the extent of its commerciality, loom larger.”

This discussion illustrates two important points: First, the fact that a use is commercial as opposed to nonprofit is an additional element of the first factor. The commercial nature of the use is not dispositive. But it is relevant. As the Court explained in *Campbell*, it is to be weighed against the degree to which the use has a further purpose or different character.

Second, the first factor also relates to the justification for the use. In a broad sense, a use that has a distinct purpose is justified because it furthers the goal of copyright, namely, to promote the progress of science and the arts, without diminishing the incentive to create. A use that shares the purpose of a copyrighted work,

by contrast, is more likely to provide the public with a substantial substitute for matter protected by the copyright owner's interests in the original work or derivatives of it, which undermines the goal of copyright.

In a narrower sense, a use may be justified because copying is reasonably necessary to achieve the user's new purpose. Parody, for example, "needs to mimic an original to make its point." *Campbell*. Similarly, other commentary or criticism that targets an original work may have compelling reason to " 'conjure up' " the original by borrowing from it. An independent justification like this is particularly relevant to assessing fair use where an original work and copying use share the same or highly similar purposes, or where wide dissemination of a secondary work would otherwise run the risk of substitution for the original or licensed derivatives of it.

In sum, the first fair use factor considers whether the use of a copyrighted work has a further purpose or different character, which is a matter of degree, and the degree of difference must be balanced against the commercial nature of the use. If an original work and a secondary use share the same or highly similar purposes, and the secondary use is of a commercial nature, the first factor is likely to weigh against fair use, absent some other justification for copying.

## 2

The fair use provision, and the first factor in particular, requires an analysis of the specific "use" of a copyrighted work that is alleged to be "an infringement." § 107. The same copying may be fair when used for one purpose but not another. See *Campbell*, 510 U.S. at 585 (contrasting the use of a copyrighted work "to advertise a product, even in a parody," with "the sale of a parody for its own sake, let alone one performed a single time by students in school"); *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) (contrasting the recording of TV "for a commercial or profit-making purpose" with "private home use").

Here, Goldsmith's copyrighted photograph has been used in multiple ways: After Goldsmith licensed the photograph to Vanity Fair to serve as an artist reference, Warhol used the photograph to create the Vanity Fair illustration and the other Prince Series works. Vanity Fair then used the photograph, pursuant to the license, when it published Warhol's illustration in 1984. Finally, AWF used the photograph when it licensed an image of Warhol's Orange Prince to Condé Nast in 2016. Only that last use, however, AWF's commercial licensing of Orange Prince to Condé Nast, is alleged to be infringing. We limit our analysis accordingly.<sup>10</sup> In particular, the Court expresses no opinion as to the creation, display, or sale of any of the original Prince Series works.

A typical use of a celebrity photograph is to accompany stories about the celebrity, often in magazines. For example, Goldsmith licensed her photographs of Prince to illustrate stories about Prince in magazines such as *Newsweek*, *Vanity Fair*, and *People*. She even licensed her photographs for that purpose after Prince died in 2016. A photographer may also license her creative work to serve as a reference for an artist, like Goldsmith did in 1984 when *Vanity Fair* wanted an image of Prince created by Warhol to illustrate an article about Prince. As noted by the Court of Appeals, Goldsmith introduced "uncontroverted" evidence "that photographers generally license others to create stylized derivatives of their work in the vein of the Prince Series." In fact, Warhol himself paid to license photographs for some of his artistic renditions. Such licenses, for photographs or derivatives of them, are how photographers like Goldsmith make a living. They provide an economic incentive to create original works, which is the goal of copyright.

In 2016, AWF licensed an image of Orange Prince to Condé Nast to appear on the cover of a commemorative edition magazine about Prince. The edition, titled “The Genius of Prince,” celebrates the life and work of “Prince Rogers Nelson, 1958–2016.” It is undisputed here that the edition is “devoted to Prince.” In addition to AWF’s image on the cover, the magazine contains numerous concert and studio photographs of Prince. In that context, the purpose of the image is substantially the same as that of Goldsmith’s photograph. Both are portraits of Prince used in magazines to illustrate stories about Prince. Such “environment[s] are not “distinct and different.” *Google*, 141 S.Ct. at 1203. AWF’s licensing of the Orange Prince image thus “‘supersede[d] the objects,’ ” *Campbell*, 510 U.S. at 579, i.e., shared the objectives, of Goldsmith’s photograph, even if the two were not perfect substitutes.

The use also “is of a commercial nature.” § 107(1). Just as Goldsmith licensed her photograph to Vanity Fair for \$400, AWF licensed Orange Prince to Condé Nast for \$10,000. The undisputed commercial character of AWF’s use, though not dispositive, tends to weigh against a finding of fair use.

Taken together, these two elements—that Goldsmith’s photograph and AWF’s 2016 licensing of Orange Prince share substantially the same purpose, and that AWF’s use of Goldsmith’s photo was of a commercial nature—counsel against fair use, absent some other justification for copying. That is, although a use’s transformativeness may outweigh its commercial character, here, both elements point in the same direction.

The foregoing does not mean, however, that derivative works borrowing heavily from an original cannot be fair uses. In *Google*, the Court suggested that “[a]n ‘artistic painting’ might, for example, fall within the scope of fair use even though it precisely replicates a copyrighted ‘advertising logo to make a comment about consumerism.’ ” 141 S.Ct. at 1203 (quoting 4 M. Nimmer & D. Nimmer, Copyright § 13.05[A][1][b] (2019), in turn quoting N. Netanel, Making Sense of Fair Use, 15 Lewis & Clark L. Rev. 715, 746 (2011) (some internal quotation marks omitted)). That suggestion refers to Warhol’s works that incorporate advertising logos, such as the Campbell’s Soup Cans series. See fig. 7, *infra*.



Figure 7. A print based on the Campbell's soup can, one of Warhol's works that replicates a copyrighted advertising logo.

Yet not all of Warhol's works, nor all uses of them, give rise to the same fair use analysis. In fact, Soup Cans well illustrates the distinction drawn here. The purpose of Campbell's logo is to advertise soup. Warhol's canvases do not share that purpose. Rather, the Soup Cans series uses Campbell's copyrighted work for an artistic commentary on consumerism, a purpose that is orthogonal to advertising soup. The use therefore does not supersede the objects of the advertising logo.

Moreover, a further justification for Warhol's use of Campbell's logo is apparent. His Soup Cans series targets the logo. That is, the original copyrighted work is, at least in part, the object of Warhol's commentary. It is the very nature of Campbell's copyrighted logo—well known to the public, designed to be reproduced, and a symbol of an everyday item for mass consumption—that enables the commentary. Hence, the use of the copyrighted work not only serves a completely different purpose, to comment on consumerism rather than to advertise soup, it also “conjures up” the original work to “she[d] light” on the work itself, not just the subject of the work. *Campbell*. Here, by contrast, AWF's use of Goldsmith's photograph does not target the photograph, nor has AWF offered another compelling justification for the use.

## B

AWF contends, however, that the purpose and character of its use of Goldsmith's photograph weighs in favor of fair use because Warhol's silkscreen image of the photograph, like the Campbell's Soup Cans series, has



a new meaning or message. The District Court, for example, understood the Prince Series works to portray Prince as “an iconic, larger-than-life figure.” AWF also asserts that the works are a comment on celebrity. In particular, “Warhol’s Prince Series conveys the dehumanizing nature of celebrity.” According to AWF, that new meaning or message, which the Court of Appeals ignored, makes the use “transformative” in the fair use sense. We disagree.

## 1

*Campbell* did describe a transformative use as one that “alter[s] the first [work] with new expression, meaning, or message.” That description paraphrased Judge Leval’s law review article, which referred to “new information, new aesthetics, new insights and understandings.” But *Campbell* cannot be read to mean that § 107(1) weighs in favor of any use that adds some new expression, meaning, or message.

Otherwise, “transformative use” would swallow the copyright owner’s exclusive right to prepare derivative works. Many derivative works, including musical arrangements, film and stage adaptations, sequels, spinoffs, and others that “recast, transfor[m] or adap[t]” the original, § 101, add new expression, meaning or message, or provide new information, new aesthetics, new insights and understandings. That is an intractable problem for AWF’s interpretation of transformative use. The first fair use factor would not weigh in favor of a commercial remix of Prince’s “Purple Rain” just because the remix added new expression or had a different aesthetic. A film or musical adaptation, like that of Alice Walker’s *The Color Purple*, might win awards for its “significant creative contribution”; alter the meaning of a classic novel; and add “important new expression,” such as images, performances, original music, and lyrics. But that does not in itself dispense with the need for licensing.

*Campbell* is again instructive. 2 Live Crew’s version of Orbison’s song easily conveyed a new meaning or message. It also had a different aesthetic. Yet the Court went further, examining whether and to what extent 2 Live Crew’s song had the parodic purpose of “commenting on the original or criticizing it.” Parody is, of course, a kind of message. Moreover, the Court considered what the words of the songs might have meant to determine whether parody “reasonably could be perceived.” But new meaning or message was not sufficient. If it had been, the Court could have made quick work of the first fair use factor. Instead, meaning or message was simply relevant to whether the new use served a purpose distinct from the original, or instead superseded its objects. That was, and is, the “central” question under the first factor.

## 2

The District Court determined that “[t]he Prince Series works can reasonably be perceived to have transformed Prince from a vulnerable, uncomfortable person to an iconic, larger-than-life figure.”

Granting the District Court’s conclusion that Orange Prince reasonably can be perceived to portray Prince as iconic, whereas Goldsmith’s portrayal is photorealistic, that difference must be evaluated in the context of the specific use at issue. The use is AWF’s commercial licensing of Orange Prince to appear on the cover of Condé Nast’s special commemorative edition. The purpose of that use is, still, to illustrate a magazine about Prince with a portrait of Prince. Although the purpose could be more specifically described as illustrating a magazine about Prince with a portrait of Prince, one that portrays Prince somewhat differently from Goldsmith’s photograph (yet has no critical bearing on her photograph), that degree of difference is not enough for the first factor to favor AWF, given the specific context of the use.

To hold otherwise would potentially authorize a range of commercial copying of photographs, to be used for purposes that are substantially the same as those of the originals. As long as the user somehow portrays the subject of the photograph differently, he could make modest alterations to the original, sell it to an outlet to accompany a story about the subject, and claim transformative use. Many photographs will be open to various interpretations. A subject as open to interpretation as the human face, for example, reasonably can be perceived as conveying several possible meanings. The application of an artist's characteristic style to bring out a particular meaning that was available in the photograph is less likely to constitute a "further purpose" as *Campbell* used the term.

### III

Lynn Goldsmith's original works, like those of other photographers, are entitled to copyright protection, even against famous artists. Such protection includes the right to prepare derivative works that transform the original. The use of a copyrighted work may nevertheless be fair if, among other things, the use has a purpose and character that is sufficiently distinct from the original. In this case, however, Goldsmith's original photograph of Prince, and AWF's copying use of that photograph in an image licensed to a special edition magazine devoted to Prince, share substantially the same purpose, and the use is of a commercial nature. AWF has offered no other persuasive justification for its unauthorized use of the photograph. Therefore, the "purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes," § 107(1), weighs in Goldsmith's favor.

[Concurring opinion of Justice Gorsuch (in which Justice Jackson joined) and dissenting opinion of Justice Kagan (in which Chief Justice Roberts joined) omitted]

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## Check Your Understanding – *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*

**Question 1.** According to *Warhol*, what is the problem with an over-broad concept of transformative use that includes any further purpose, or any different character.



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<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-129>

**Question 2.** According to *Warhol*, which of the following considerations would tend to justify an otherwise infringing use, and thus weigh in favor fair use?



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**Question 3.** According to *Warhol*, which of the following considerations would tend toward a finding of fair use when the otherwise infringing use is a derivative work that precisely replicates the original?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=186#h5p-131>

Some things to consider when reading *Am. Soc’y for Testing & Materials*:

1. The prevailing party in this case, the accused infringer *Public.Resource.Org*, was also the prevailing party in the Supreme Court’s 2020 decision in *Georgia v. Public.Resource.Org, Inc.*, which appears in the “government works” subsection of this casebook.
2. The court cites *Google v. Oracle* for the proposition that its analysis of market effects must balance any monetary losses to the copyright holders against any “public benefits” of the copying. This harkens back to the discussion of “productive uses” in *Sony*.
3. Are there any potential negative policy implications of the decision?
4. A portion of this decision appears in the remedies section of this casebook.

### *Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*

82 F.4th 1262 (D.C. Cir. 2023)

Katsas, Circuit Judge:

Many private organizations develop and copyright suggested technical standards for an industry, product, or problem. Federal and state governments often incorporate such standards into law. This case presents the question whether third parties may make the incorporated standards available for free online. We hold that the non-commercial dissemination of such standards, as incorporated by reference into law, constitutes fair use and thus cannot support liability for copyright infringement.

## I

Three standard-developing organizations raised copyright infringement claims against a defendant for posting online their copyrighted standards, as incorporated into law. The district court granted summary judgment to the organizations, but we reversed and remanded for further factual development. *Am. Soc’y for*

*Testing & Materials v. Public.Resource.Org, Inc.*, 896 F.3d 437 (D.C. Cir. 2018) (ASTM II). On remand, the district court held that the non-commercial posting of standards incorporated by reference into law is fair use.

ASTM II gave detailed background information on standard-developing organizations, incorporation by reference, and the genesis of this dispute. 896 F.3d at 440–45. We give only a brief overview here.

## A

Various private organizations promulgate standards establishing best practices for their respective industries or products. These organizations copyright their standards and generate revenue by selling copies. For example, the National Fire Protection Association (NFPA), one plaintiff in this suit, develops standards addressing the prevention of fire, electrical, and related hazards. One such standard, NFPA 10, addresses the design, inspection, maintenance, and testing of portable fire extinguishers. The NFPA sells hard copies of its standards as well as a subscription service that allows digital access.

Federal agencies may incorporate privately developed standards into law by referencing them in agency rulemaking. Incorporation by reference (IBR) in a published rule allows agencies to satisfy the requirement to publish rules in the Federal Register without reproducing the standards themselves. 5 U.S.C. § 552(a)(1). The Code of Federal Regulations contains more than 27,000 incorporations of privately developed standards by reference. See *Standards Incorporated by Reference Database*, Nat'l Inst. of Safety & Tech., <https://sibr.nist.gov> [perma.cc/W4BN-HLZG] (last visited Aug. 30, 2023). For example, 29 C.F.R. § 1915.507(b)(1) requires shipyard operators to select, maintain, and test portable fire extinguishers in accordance with NFPA 10, which is incorporated by reference in 29 C.F.R. § 1915.5(i)(6). States and municipalities also have incorporated thousands of standards by reference into their regulations.

Congress has authorized and encouraged the use of IBR because it allows agencies to avoid duplication of effort and helps conform legal standards to industry best practices. See, e.g., National Technology Transfer and Advancement Act of 1995, Pub. L. No. 104-113, § 12(d)(1), 110 Stat. 775, 783. The Office of the Federal Register has promulgated regulations and guidance governing the IBR process. See 1 C.F.R. §§ 51.1–11. As its IBR Handbook explains, “the legal effect of IBR is that the referenced material is treated as if it were published in the Federal Register and the CFR. When IBRed, this material has the force and effect of law.”

## B

The plaintiffs in this case are three standard-developing organizations: the American Society for Testing and Materials (ASTM), the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE), and the NFPA. The defendant, Public.Resource.Org, is a non-profit group that disseminates legal and other materials. It has posted on its websites copies of hundreds of incorporated standards—including standards produced and copyrighted by the plaintiffs. As a result, any internet user may view, download, or print these standards for free.

In 2013, the plaintiffs sued Public Resource for copyright infringement. The plaintiffs moved for summary judgment on their claims as to nine of the disputed standards. The district court granted the motion and enjoined Public Resource from posting these standards. The court rejected a defense that posting incorporated standards constitutes fair use. *ASTM v. Public.Resource.Org, Inc.*, No. 13-cv-1215, 2017 WL 473822 (D.D.C. Feb. 2, 2017) (ASTM I).

This Court reversed and remanded for further consideration of the fair-use defense. We faulted the parties for failing to distinguish among the disputed standards in conducting the fair-use analysis, and we instructed the parties on remand to “develop a fuller record regarding the nature of each of the standards at issue, the way in which they are incorporated, and the manner and extent to which they were copied.” We provided several guideposts for the fair-use analysis, three of which tended to favor the defense. But given the differences among the disputed standards and the thinness of the record before us, we thought it prudent to remand the case for the district court to further develop the factual record and weigh the factors as applied to Public Resource’s use of each standard in the first instance.

On remand, the parties developed more information about 217 incorporated standards. Each of them has been superseded as a recommended industry standard, yet most remain incorporated into law. On cross-motions for summary judgment, the district court held that the posting of 184 standards was fair use, the posting of 32 standards was not fair use, and the posting of one standard was fair use in part. *ASTM v. Public.Resource.Org, Inc.*, 597 F. Supp. 3d 213 (D.D.C. 2022) (ASTM III). In a nutshell, the court found fair use as to the posting of standards incorporated into law and infringement as to the standards not so incorporated. The court’s opinion included a 187-page, single-spaced appendix separately analyzing each of the disputed standards. Despite finding infringement as to the unincorporated standards, the court denied injunctive relief based on its finding that Public Resource intends to post only incorporated standards and thus would voluntarily take down unincorporated ones in response to an infringement determination.

The plaintiffs appealed, but Public Resource did not.

## II

Fair use is an affirmative defense to a claim of copyright infringement. Originally a creature of common law, it is now codified at 17 U.S.C. § 107, which provides:

[T]he 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.

Fair-use analysis is highly fact-intensive, and the four enumerated factors are not exclusive.

The district court separately analyzed the four factors for each of the 217 standards at issue, but its bottom line was straightforward: Public Resource’s copying of material incorporated by reference into law, for free dissemination to the public, was fair use. We agree.

The first three factors strongly support holding that Public Resource’s posting of incorporated standards was fair use, as our opinion in ASTM II suggested.

The first factor is “the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes.” 17 U.S.C. § 107(1). This factor “focuses on whether an allegedly infringing use has a further purpose or different character, which is a matter of degree, and the degree of difference must be weighed against other considerations, like commercialism.” *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 598 U.S. 508 (2023). It supports the defense here for two reasons.

First, Public Resource’s use is for nonprofit, educational purposes. In ASTM II, we held that Public Resource—which disseminates the disputed materials for free—is engaged in a nonprofit as opposed to commercial use. Since then, the Supreme Court confirmed the importance of that conclusion: “There is no doubt that a finding that copying was not commercial in nature tips the scales in favor of fair use.” *Google LLC v. Oracle Am., Inc.*, 141 S. Ct. 1183, 1204 (2021).

Second, Public Resource’s use is transformative because it serves a different purpose than the plaintiffs’ works. In *Warhol*, the Supreme Court stressed that “the first factor ... asks whether *and to what extent* the use at issue has a purpose or character different from the original.” The plaintiffs seek to advance science and industry by producing standards reflecting industry or engineering best practices. For example, ASHRAE says its mission is to “advance the arts and sciences of heating, ventilation, air conditioning and refrigeration to serve humanity and promote a sustainable world.” Public Resource’s mission in republishing the standards is very different—to provide the public with a free and comprehensive repository of the law. This distinction is fundamental: Public Resource publishes only what the law is, not what industry groups may regard as current best practices. And although the standards at issue have been superseded or withdrawn as private standards, they remain important to someone trying to figure out what the law is (or, in the case of standards prospectively repealed or amended as law, what law governs disputes about past conduct).

The distinction between standards as best practices and standards as law matters even though Public Resource does not alter or add to the standards. A secondary work can be transformative in function or purpose without altering or actually adding to the original work. Consider news reporters, who must faithfully reproduce an original work without alteration. A reporter’s message (“this is what they said”) is very different from the original message (“this is what you should believe”). The same principle applies here: Public Resource’s message (“this is the law”) is very different from the plaintiffs’ message (“these are current best practices for the engineering of buildings and products”).

The second fair-use factor is “the nature of the copyrighted work.” 17 U.S.C. § 107(2). It “calls for recognition that some works are closer to the core of intended copyright protection than others, with the consequence that fair use is more difficult to establish when the former works are copied.” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 586 (1994). Application of this factor often depends on whether the work is factual or fictional, for the law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy.

This factor strongly supports a finding of fair use. Standards fall at the factual end of the fact-fiction spectrum, which counsels in favor of finding fair use. Moreover, legal text falls plainly outside the realm of copyright protection. And because incorporated standards have legal force, they too fall, at best, at the outer edge of copyright's protective purposes. Finally, where the consequence of the incorporation by reference is virtually indistinguishable from a situation in which the standard had been expressly copied into law, this factor weighs heavily in favor of fair use. Following this guidance, the district court correctly concluded that if a standard is incorporated into law without limitation, the result is virtually indistinguishable from a situation in which the standard had been expressly copied into law, so the second factor thus weighs heavily in favor of fair use.

The third fair-use factor considers “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” 17 U.S.C. § 107(3). It turns on whether the extent of the copying is “reasonable in relation to the purpose of the copying.” *Campbell*, 510 U.S. at 586. Public Resource's copying must be considered in light of its purpose of informing the public about the specific incorporation at issue.

This factor strongly supports fair use because the standards at issue have been incorporated and thus have the force of law. Public Resource posts standards that government agencies have incorporated into law—no more and no less. If an agency has given legal effect to an entire standard, then its entire reproduction is reasonable in relation to the purpose of the copying, which is to provide the public with a free and comprehensive repository of the law. Given the “nature” of the works at issue, “the fact that the entire work is reproduced does not have its ordinary effect of militating against a finding of fair use.” *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 449–50 (1984).

## 2

The plaintiffs make two principal objections to this analysis of the first three fair-use factors.

First, they argue that the district court ignored important differences among three different categories of incorporated text. The first category includes portions of standards essential to comprehending legal duties—for example, NFPA 10's provision for portable fire extinguishers to be inspected monthly, given the federal regulation requiring shipyard operators to follow that standard, 29 C.F.R. § 1915.507(b)(1). The second category includes standards prescribing how compliance may be assessed, also known as reference procedures. For example, 40 C.F.R. § 86.113–04(a)(1) states that the maximum permissible lead content in certain gasoline is 0.05 grams of lead per gallon as measured by the test procedure in ASTM D3237, which is incorporated by reference. The third category includes material that does not directly prescribe necessary or sufficient conditions for complying with a legal duty—introductory or background material, for example, along with material addressing contexts other than the focus of the incorporating regulation. For example, a regulation governing the operation of veterans' cemeteries incorporates NFPA 101 by reference and requires covered cemeteries to meet the standard's applicable architectural and structural requirements. 38 C.F.R. § 39.63(a)(1). Yet NFPA 101 also provides standards for houses, schools, and many other kinds of structures.

The plaintiffs argue that under *ASTM II*, Public Resource may copy the first category of material but not the other two. In *ASTM II*, we did stress that material in the first category has the strongest claim to fair use. But we did not hold that material in the other categories has no such claim. Rather, we explained that, if an entity is “distributing copies of the law for purposes of facilitating public access,” the most important

question is what material counts as “law.” And all material that has been validly incorporated by reference carries the force of law and is treated as having been published in the Federal Register and Code of Federal Regulations, regardless of where it falls among the three categories. See 5 U.S.C. § 552(a)(1).

Moreover, because law is interpreted contextually, even explanatory and background material will aid in understanding and interpreting legal duties—especially when the promulgating agency references it. Courts routinely consult congressional findings, statements of purpose, and other background material enacted by Congress to decipher the meaning of ambiguous statutory provisions. See A. Scalia & B. Garner, *Reading Law: The Interpretation of Legal Texts* 218 (2012). The introductory and background material of an incorporated standard—along with rules addressing how the standard operates in other contexts besides the one directly at issue—may prove similarly important for resolving ambiguities in the portions of standards that set forth the directly binding legal obligations.

The plaintiffs argue that, because they make standards available for free in online reading rooms, Public Resource’s use cannot be transformative. Yet all but one of these rooms opened after Public Resource began posting incorporated standards. Moreover, the plaintiffs’ reading rooms do not provide equivalent or even convenient access to the incorporated standards. Among other things, text is not searchable, cannot be printed or downloaded, and cannot be magnified without becoming blurry. Often, a reader can view only a portion of each page at a time and, upon zooming in, must scroll from right to left to read a single line of text. Public Resource’s postings suffer from none of these shortcomings.

## B

The fourth fair-use factor is “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4).

The plaintiffs press heavily on what seems to be a common-sense inference: If users can download an identical copy of an incorporated standard for free, few will pay to buy the standard. Despite its intuitive appeal, this argument overlooks the fact that the plaintiffs regularly update their standards—including all 185 standards at issue in this appeal. And regulators apparently are much less nimble in updating the incorporations. So, many of the builders, engineers, and other regular consumers of the plaintiffs’ standards may simply purchase up-to-date versions as a matter of course. Moreover, some evidence casts doubt on the plaintiffs’ claims of significant market injury. Public Resource has been posting incorporated standards for fifteen years. Yet the plaintiffs have been unable to produce any economic analysis showing that Public Resource’s activity has harmed any relevant market for their standards. To the contrary, ASTM’s sales have increased over that time; NFPA’s sales have decreased in recent years but are cyclical with publications; and ASHRAE has not pointed to any evidence of its harm.

The plaintiffs’ primary evidence of harm is an expert report opining that Public Resource’s activities could put the plaintiffs’ revenues at risk. Yet although the report qualitatively describes harms the plaintiffs could suffer, it makes no serious attempt to quantify past or future harms. We find it telling that the plaintiffs do not provide any quantifiable evidence, and instead rely on conclusory assertions and speculation long after Public Resource first began posting the standards.

Finally, our analysis of market effects must balance any monetary losses to the copyright holders against any “public benefits” of the copying. *Oracle*, 141 S. Ct. at 1206. Thus, even if Public Resource’s postings were



likely to lower demand for the plaintiffs' standards, we would also have to consider the substantial public benefits of free and easy access to the law. As the Supreme Court recently confirmed: "Every citizen is presumed to know the law, and it needs no argument to show that all should have free access" to it. *Georgia v. Public.Resource.Org., Inc.*, 140 S. Ct. 1498 (2020) (cleaned up).

We conclude that the fourth fair-use factor does not significantly tip the balance one way or the other. Common sense suggests that free online access to many of the plaintiffs' standards would tamp down the demand for their works. But there are reasons to doubt this claim, the record evidence does not strongly support it, and the countervailing public benefits are substantial.

\* \* \* \*

In sum, the first three factors under section 107 strongly favor fair use, and the fourth is equivocal. We thus conclude that Public Resource's non-commercial posting of incorporated standards is fair use.

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## Check Your Understanding – *Am. Soc'y for Testing & Materials*

**Question 1.** In *Am. Soc'y for Testing & Materials*, what was the significance of the "public benefits" that flowed from Public Resource's copying?



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<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-132>

Some things to consider when reading *Philpot*:

1. The defendant in this case, a news website, used a photo that was published on Wikimedia Commons under a Creative Commons license, and the article in which the photo appeared apparently only generated a few dollars of revenue. Why is it being found liable for infringement, and what are the consequences? What could the news website have done differently to avoid all this?
2. This case was decided shortly after the Supreme Court decided *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*. Do you think this could have influenced the outcome?
3. Why did the court reject the district court's conclusion that the use of the photo was transformative?
4. Note the significance of the court's presumption that "a cognizable market harm exists when a commercial use is not transformative but instead amounts to mere duplication of the entirety of an original."

## *Philpot v. Indep. J. Rev.*

92 F.4th 252 (4th Cir. 2024)

WYNN, Circuit Judge:

Photographer Larry Philpot brought a copyright-infringement claim against news website Independent Journal Review (“IJR”) after IJR used his photograph of musician Ted Nugent in an online article. IJR moved for summary judgment, raising the affirmative defense that, pursuant to 17 U.S.C. § 107, its use of the photo constituted “fair use” under the Copyright Act. It alternatively argued that Philpot’s copyright registration was invalid.

Philpot cross-moved for summary judgment, contending in relevant part that his registration *was* valid and that IJR’s use *was not* fair use. Although the district court found a dispute of material fact as to whether the copyright registration was valid, it granted summary judgment to IJR on “fair use” grounds. Philpot appeals the denial of summary judgment to him as to the copyright registration and the grant of summary judgment to IJR as to “fair use.”

We conclude that IJR’s use of the photo was not “fair use.” And we conclude that Philpot is entitled to summary judgment on the validity of the copyright registration. Therefore, we reverse and remand for further proceedings consistent with this opinion.

### I.

The facts, which are undisputed except as noted, are as follows. Philpot is a professional concert photographer who took a photograph of Nugent performing in July 2013 (the “Photo”). On August 15, 2013, pursuant to the copyright-registration procedure outlined in 17 U.S.C. § 408, Philpot submitted the Photo for registration with the United States Copyright Office as part of a collection of unpublished works. The Copyright Office issued Philpot a registration certificate on August 21, 2013. The next month, Philpot also published the Photo on Wikimedia Commons<sup>11</sup> under a Creative Commons license.<sup>12</sup> The license specified that anyone could use the Photo for free so long as they provided the following attribution: “Photo Credit: Larry Philpot of [www.soundstagephotography.com](http://www.soundstagephotography.com).”<sup>3</sup>

Additionally, on August 8, 2013, Philpot entered into a photograph licensing agreement with nonparty AXS TV (“the Agreement”), under which Philpot granted AXS TV a two-year license to inspect at least 1,000 of Philpot’s photos in order to select twelve to curate for licensing. The Agreement provided that AXS TV’s license to the 1,000 photos would become effective upon Philpot’s email delivery of the 1,000 photos to AXS TV. On September 10, 2023, Philpot emailed AXS TV a batch of photos that included the Nugent Photo.

The Agreement provided that AXS TV would pay Philpot a photo licensing fee of \$4,500. Philpot also testified in his deposition that his standard photo licensing fee is \$3,500. However, in at least one instance, he permitted a magazine to use a photo for free when it was unwilling to pay his “standard fee,” under the condition that it included his desired attribution.

In 2016, IJR posted an article titled “15 Signs Your Daddy Was a Conservative.” Under Sign 5, “He hearts ‘The Nuge’”—referring to Ted Nugent—the article featured the Photo. The article did not include the required

attribution. Instead, the article contained only a hyperlink to Nugent's Wikipedia page. Through that link, users could then access the Wiki Commons site where the Photograph was hosted with all the required attribution information. The article generated approximately \$2 to \$3 in advertising revenue for IJR based on the number of page views it received.

In May 2020, Philpot sued IJR for copyright infringement. IJR moved for summary judgment, raising the affirmative defense of fair use under the Copyright Act pursuant to 17 U.S.C. § 107, and alternatively raising the defense that Philpot's registration was invalid. For his part, Philpot also moved for partial summary judgment, arguing in relevant part that his registration was valid and that IJR's use of the photo did not meet the requirements for the application of the fair-use affirmative defense. The district court determined there was a genuine dispute of material fact as to the validity of Philpot's copyright registration—precluding summary judgment for either party on that issue—but it ultimately granted IJR's motion for summary judgment on fair-use grounds. It accordingly denied Philpot's motion for summary judgment. Philpot timely appealed.

### III.

We begin with the district court's determination that IJR was entitled to summary judgment based on fair use. As Philpot is the nonmoving party on this issue, we view the facts and draw all reasonable inferences therefrom in the light most favorable to him.

Section 106 of the Copyright Act grants a bundle of exclusive rights to the owner of the copyright, including the rights to publish, copy, and distribute the author's work. These rights, however, are subject to a list of statutory exceptions, including the exception for fair use provided in 17 U.S.C. § 107. Fair use is a complete defense to copyright infringement. That is to say, "the fair use of a copyrighted work ... is not an infringement of copyright." (quoting 17 U.S.C. § 107).

To determine whether a secondary use of a copyrighted work constitutes fair use, courts consider four statutory factors: "(1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyrighted work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (quoting 17 U.S.C. § 107). All four factors must be "explored, and the results weighed together, in light of the purposes of copyright." Considering these factors in turn, we hold that IJR's use of Philpot's Photo did not constitute fair use.

#### A.

The first fair use factor, the "purpose and character of the use," requires us to consider whether the secondary use of the Photo was (a) transformative and (b) of a commercial nature or for nonprofit educational purposes. See *Andy Warhol Found. for the Visual Arts, Inc. v. Goldsmith*, 598 U.S. 508, 527–33 (2023). While the first fair use factor most clearly weighs in favor of fair use if the use was transformative and noncommercial, "the more transformative the new work, the less will be the significance of other factors, like commercialism." *Campbell*, 510 U.S. at 579. Because for the reasons stated below, we believe that IJR's use was non-transformative and commercial, we conclude that the first factor weighs strongly against fair use.

## 1.

We first consider whether IJR's use was transformative. A secondary use is transformative when it has a "further purpose or different character" than the original work. *Warhol*, 598 U.S. at 525 (quoting *Campbell*, 510 U.S. at 579, 114 S.Ct. 116 4). The preamble to section 107 of the Copyright Act identifies criticism, comment, and news reporting as examples of transformative uses. Because many secondary works add something new, the determination of transformative use is a matter of *degree*. *Warhol*, 598 U.S. at 528–29. The larger the difference, the more likely the first factor weighs in favor of fair use. The smaller the difference, the less likely.

The Supreme Court's recent opinion in *Andy Warhol Foundation for the Visual Arts v. Goldsmith* provides helpful guidance. There, photographer Lynn Goldsmith took photos of the entertainer Prince, and subsequently licensed them to magazines to accompany stories about the musician. The prolific visual artist Andy Warhol created a derivative work of one of Goldsmith's photos, dubbed "Orange Prince." The Andy Warhol Foundation then licensed Orange Prince to a magazine for the cover of its commemorative edition about Prince. When Goldsmith informed the Foundation that she believed its use of her photograph infringed her copyright, the Foundation sued her.

The Supreme Court granted certiorari to consider the "narrow issue" of whether the first fair use factor weighed in favor of the Foundation. It held that it did not. In so holding, the Court noted that a typical use of a celebrity photograph is to accompany stories about the celebrity. It then held that even if Orange Prince added new expression to the original photo, the magazine's use was not transformative because the purpose of both works was to illustrate stories about Prince.

Like the magazine's use of Orange Prince in *Warhol*, IJR's use of the Photo was not transformative. Here, as in *Warhol*, Philpot took the Photo to capture a "portrait" of Nugent, and IJR used the Photo to "depict" the musician. Accordingly, the two uses shared substantially the same purpose. Indeed, IJR has less of a case for "transformative" use than the Andy Warhol Foundation did in *Warhol*. Unlike the orange dubbing in that case, IJR did not alter or add new expression to the Nugent Photo beyond cropping the negative space:



Original photo



IJR's use

See also *Brammer v. Violent Hues Prods., LLC*, 922 F.3d 255, 263 (4th Cir. 2019) (holding a use was not transformative where “[t]he only obvious change [the defendant] made to the Photo’s content was to crop it so as to remove negative space,” which “does not alter the original with ‘new expression, meaning or message.’” (quoting *Campbell*, 510 U.S. at 579)).

The district court found that IJR’s use was transformative because it placed the Photo in a new context, a list of “Signs Your Daddy Was a Conservative.” But that reasoning resembles the argument that this Court rejected in *Brammer v. Violent Hues Productions*. In that case, a film company used a photo of the Washington, D.C., neighborhood Adams Morgan in an online advertisement for a Virginia film and music festival. The photo was included alongside a list of D.C.-area tourist attractions with the caption “Adams Morgan, DC.” The photographer who shot the photo had originally created it for use as a commercial stock image with the caption “Adams Morgan at Night.” He sued the film company for copyright infringement, and the issue on appeal was whether the fair use defense applied.

This Court held the fair use defense did not apply. In assessing whether the film company’s use was transformative, this Court held that even if a copyrighted work is placed in a “new context to serve a different purpose” than the original work—there, the different purpose of listing tourist attractions for an advertisement—in order to be transformative, “the secondary use still must generate a societal benefit by imbuing the original with new function or meaning.” Because the film company in *Brammer* “used the Photo expressly for its content—that is, to depict Adams Morgan”—its use did not imbue the photo with a new function or meaning and thus was not transformative. Likewise here, Philpot took the Photo to identify Nugent. IJR used the Photo for precisely the same reason: to depict “The Nuge.” Accordingly, IJR’s secondary use of the Photo did not add new meaning or function that would render its use transformative. Because IJR’s use of the Photo did not add new purpose or meaning, and only minimal alteration, the use was not transformative. This weighs against a finding of fair use.

2.

Having concluded that IJR's use was non-transformative, we next consider whether the secondary use was of a commercial nature or for nonprofit educational purposes. 17 U.S.C. § 107(1). The crux of the profit/nonprofit distinction is not whether the sole motive of the use is monetary gain but whether the user stands to profit from exploitation of the copyrighted material without paying the customary price. *Harper & Row*, 471 U.S. at 562.

According to IJR's Financial Interest Disclosure Statement, it is a C corporation, and therefore a for-profit corporation. While IJR does not charge readers to view its articles, it obtains revenue from advertising, and it earned some advertising revenue—albeit only \$2 to \$3—based on the number of views of the article that used the Photo. Further, IJR's use of the Photo was exploitative: Philpot licensed the Photo, and IJR did not pay the customary price of direct attribution to Philpot.

To be sure, the article was not especially profitable for IJR. But the salient question is whether IJR stood to profit, not whether it was particularly successful at that venture. Thus, IJR's use of the Photo was commercial.

Because IJR's use of the Photo was non-transformative and commercial, the first factor of the fair use analysis counsels strongly against fair use.

## **B.**

The district court made no mention of the second and third factors of the fair use analysis, but both weigh against fair use.

The second fair use factor considers the “nature of the copyrighted work.” 17 U.S.C. § 107(2). In assessing the copyrighted work's nature, we consider the extent to which it is creative. As a basic matter, photographs are generally viewed as creative, aesthetic expressions and have long received thick copyright protection, even where they capture images of reality and regardless of their publication status. And here, Philpot made several creative choices in capturing the Photo, including selecting the subject matter, angle of photography, exposure, composition, framing, location, and exact moment of creation. Thus, the Photo merits thick copyright protection, and the second factor weighs against fair use.

The third fair use factor considers “the amount and substantiality of the portion used in relation to the copyrighted work as a whole.” 17 U.S.C. § 107(3). This factor weighs against fair use where a significant percentage of the copyrighted work was copied, or where the copied portion essentially was the “heart” of the copyrighted work. Both are true here: IJR copied a significant percentage of the Photo in its article, and it only cropped out the negative space while keeping the Photo's expressive features, or the “heart” of the work. Thus, the second and third factors weigh against fair use.

## **C.**

The fourth and final factor also weighs against fair use. The fourth factor considers “the effect of the use upon the potential market for or value of the copyrighted work.” 17 U.S.C. § 107(4). In analyzing this factor, we consider not only the extent of market harm caused by the particular actions of the alleged infringer, but also whether unrestricted and widespread conduct of the sort engaged in by the defendant would result in a substantially adverse impact on the potential market for the original.

IJR argues that because Philpot permits free use of the Photo, he failed to show any financial harm to the Photo's potential market. But that argument ignores the general rule that we presume a cognizable market harm exists when a commercial use is not transformative but instead amounts to mere duplication of the entirety of an original. That presumption applies here: IJR made commercial use of the Photo and duplicated the "heart of the work," while only removing the negative space. As a result, Philpot need not demonstrate that the licensing market for his photo would be depressed should IJR's behavior become widespread.

Moreover, even though Philpot does not need to make this showing, he has done so here. The evidence viewed in the light most favorable to him reveals that if IJR's challenged use becomes uninterrupted and widespread, it would adversely affect the "*potential market*" for the Photo. Philpot is a freelance professional photographer who specializes in capturing musicians in concert. His market is thus the universe of music and celebrity audiences. And IJR's use was the paradigmatic example of Philpot's reasonable market: licensing to media outlets. If IJR's behavior in copying Philpot's photography to depict musicians for a commercial purpose without payment or attribution became widespread, Philpot's potential market would likely decrease.

Certainly, Philpot offers the use of some photos in exchange for nothing more than proper attribution. But "[t]he copyright law does not require a copyright owner to charge a fee for the use of his works[;] ... the owner of a copyright may well have economic or noneconomic reasons for permitting certain kinds of copying to occur without receiving direct compensation from the copier." Sony, 464 U.S. at 447 n.28. Moreover, Philpot has introduced evidence that his standard licensing fee is \$3,500, and that AXS TV paid Philpot \$4,500 to license his photos, including the Nugent Photo. Philpot, then, relies on attributions or payments from users of his images to sustain himself in the world of concert photography. This factor, like the preceding factors, thus weighs against fair use.

In sum, all four factors weigh against a finding of fair use. Therefore, we hold that IJR's use of the Photo was not fair use and the district court erred in granting summary judgment to IJR on that basis and in denying Philpot's motion for summary judgment on IJR's fair use defense.

#### IV.

*[The court held that IJR had not pointed to any inaccuracy in Philpot's copyright registration, and thus Philpot was entitled to summary judgment on IJR's defense of copyright invalidity.]*

#### V.

Because IJR's use of the Photo was not fair use and Philpot's copyright registration was valid as a matter of law, we reverse the district court's grant of summary judgment to IJR—and its denial of summary judgment to Philpot—on those issues. We remand for further proceedings consistent with this opinion.

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## Check Your Understanding – *Philpot*

**Question 1.** In *Philpot*, why did the Fourth Circuit reject the district court’s conclusion that the use of the photo was transformative?



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<https://holmancopyright.lawbooks.cali.org/?p=186#h5p-133>

### FOOTNOTES:

<sup>1</sup> *Eldred v. Ashcroft*, 537 U.S. 186, 219–20 (2003).

<sup>2</sup> Paul Goldstein, *Fair Use in Context*, 31 Colum. J.L. & Arts 433, 433 (2008). See also *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 477 (1984) (Justice Blackmun’s dissent pointing out the fair use doctrine’s “absence of clear standards.”).

<sup>3</sup> 2 Live Crew concedes that it is not entitled to a compulsory license under § 115 because its arrangement changes “the basic melody or fundamental character” of the original. § 115(a)(2).

<sup>4</sup> Appendix A exhibits, as an example, a web page that would be revealed to a searcher who entered the phrase “fair use,” showing snippets from Alan Latman, Robert A. Gorman, & Jane C. Ginsburg, *Copyright for the Eighties* (1985).

<sup>5</sup> Appendix B exhibits the ngram for the phrase “fair use.”

<sup>6</sup> Google contends that Perfect 10’s photographic images are less creative and less deserving of protection than the images of the American West in *Kelly* because Perfect 10 boasts of its un-retouched photos showing the natural beauty of its models. Having reviewed the record, we conclude that the district court’s finding that Perfect 10’s photographs “consistently reflect professional, skillful, and sometimes tasteful artistry” is not clearly erroneous. We agree with the district court that there is no basis for concluding that photos of the American West are more deserving of protection than photos of nude models.

<sup>7</sup> This is the “intermediate copying” – note that Accolade’s employees only used the copied code to create a manual that contained functional descriptions of the interface requirements and did not include any of Sega’s code.

<sup>8</sup> The decision discusses other types of code, but the focus of the fair use analysis is the 11,500 lines of declaring code that Google copied from the Sun Java API packages.



[9](#) AWF sold 12 of the works to collectors and galleries, and it transferred custody of the remaining four works to the Andy Warhol Museum in Pittsburgh.

[10](#) Editor's note: 16 U.S.C. § 106 provides that "[t]he owner of copyright under this title has the exclusive rights to do and to *authorize* any of the following...." (emphasis added).

[11](#) Wikimedia Commons is a freely licensed media file repository. Any individual can upload a media file—images, sounds, or videos—to the Wikimedia repository for free. Each uploaded media file has its own webpage, akin to its own Wikipedia page. The page contains a notice that any user can then use the media file for free, if they follow the licensing requirements listed on its page.

[12](#) A Creative Commons license is a simple, standardized copyright license that anyone can use to license their work. The copyright holder designates their work as governed by a Creative Commons license, and anyone may use the work provided they adhere to the terms of the license.

# Chapter 13: Remedies

The Copyright Act provides remedies in the form of injunctive and monetary relief for copyright owners that prevail in infringement actions, as well as potentially an award of attorney's fees (which are available for both prevailing plaintiffs and defendants). In particular, § 502 authorizes courts to “grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright.” Section 503 authorizes the court to, “as part of a final judgment or decree, ... order the destruction or other reasonable disposition of all copies or phonorecords found to have been made or used in violation of the copyright owner's exclusive rights.”

Section 504 provides for two forms of money damages: (1) the copyright owner's *actual damages*, as well as any additional *profits* of the infringer not taken into account in computing the actual damages; or (2) statutory damages. Note that the plaintiff has to choose one or the other—the plaintiff cannot ask for both actual damages/profits and statutory damages. Courts generally have a great deal of discretion under the statute to determine the appropriate amount of statutory damages in any individual case. Currently, § 504(c) allows for statutory damages ranging from \$750 to \$30,000 per infringed work, “as the court considers just.” If the copyright owner can prove that 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” per work. On the other hand, in a case of innocent infringement, where the infringer is able to prove that it “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” per work.

Statutory damages allow for an award of substantial damages to a copyright owner, even under circumstances in which the copyright owner is unable to establish the amount of actual damages or the infringer's profits. The broad discretion afforded by the statute allows courts to assess an amount of statutory damages that will not only provide restitution to the copyright owner, but also punish the infringer and hopefully deter future infringing conduct. Statutory damages can function as a form of punitive damages, particularly in cases of willful infringement.

In order to be eligible for statutory damages, the copyright owner must register the work prior to the infringement (or, alternatively, within three months of publication), one of the important benefits of prompt registration. On the other hand, the statute provides that publication of a work along with adequate notice precludes an infringer from asserting “innocent infringement” in order to reduce an award of statutory damages, thereby incentivizing publication with notice.

Section 505 authorizes the court to “award a reasonable attorney's fee to the prevailing party,” which can be either the copyright owner or the accused infringer.

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Some things to consider when reading *Frank Music I*:

1. This decision addresses the standard for awarding actual damages to a prevailing copyright owner.
2. *Frank Music II*, which appears later in this casebook, addresses the “infringer's profits” remedy for

copyright infringement.

## *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc. (Frank Music I)*

772 F.2d 505 (9th Cir. 1985)

FLETCHER, Circuit Judge:

This copyright infringement suit arises out of defendants' use of five songs from plaintiffs' dramatico-musical play *Kismet* in a musical revue staged at defendant MGM Grand Hotel in 1974–76. After a bench trial, the district court found infringement and awarded the plaintiffs \$22,000 as a share of defendants' profits. Plaintiffs appeal and defendants cross-appeal. We affirm in part, reverse in part, and remand.

### I. FACTS

[Editor's note:<sup>1</sup> Plaintiffs are the copyright owners and authors of *Kismet*, a dramatico-musical work. MGM, Inc. under license produced a musical motion picture version of *Kismet*. Beginning April 26, 1974, MGM Grand presented a musical revue entitled *Hallelujah Hollywood* in the hotel's Ziegfeld Theatre. *Hallelujah Hollywood* was largely created by an employee of MGM Grand, Donn Arden, who also staged, produced and directed the show. The show comprised ten acts, four billed as "tributes" to MGM motion pictures. Act IV was entitled "*Kismet*," and was a tribute to the MGM movie of that name. It was based almost entirely on music from *Kismet*, and used characters and settings from that musical. Act IV "*Kismet*" was performed approximately 1700 times, until July 16, 1976, when, under pressure resulting from this litigation, MGM Grand substituted a new Act IV.]

### II. DISCUSSION

[The court affirmed the district court's conclusion that defendants infringed plaintiffs' copyrights in *Kismet*.]

#### B. Recovery for Infringement

The Copyright Act of 1909<sup>2</sup> provided three forms of recovery to a plaintiff whose copyright had been infringed: actual damages, infringer's profits, or statutory "in lieu" damages. The Act provided for recovery of "such damages as the copyright proprietor may have suffered due to the infringement, as well as all the profits which the infringer shall have made from such an infringement..." 17 U.S.C. § 101(b) (1970).

A court making an award for copyright infringement must, if possible, determine both the plaintiff's actual damages and the defendant's profits derived from the infringement. In this circuit, we have construed section 101(b) of the 1909 Act as allowing recovery of the greater of the plaintiff's damage or the defendant's profits.<sup>3</sup>

#### 1. Actual Damages

"Actual damages" are the extent to which the market value of a copyrighted work has been injured or destroyed by an infringement. In this circuit, we have stated the test of market value as "what a willing buyer would have been reasonably required to pay to a willing seller for plaintiffs' work."

The district court declined to award actual damages. The court stated that it was “unconvinced that the market value of plaintiffs’ work was in any way diminished as a result of defendant’s infringement.” We are obliged to sustain this finding unless we conclude it is clearly erroneous. Fed.R.Civ.P. 52(a).

Plaintiffs contend the district court’s finding is clearly erroneous in light of the evidence they presented concerning the royalties *Kismet* could have earned in a full Las Vegas production. Plaintiffs did offer evidence of the royalties *Kismet* had earned in productions around the country. They also introduced opinion testimony, elicited from plaintiff Lester and from *Kismet*’ s leasing agent, that a full production of *Kismet* could have been licensed in Las Vegas for \$7,500 per week. And they introduced other opinion testimony to the effect that *Hallelujah Hollywood* had destroyed the Las Vegas market for a production of plaintiffs’ *Kismet*.

In a copyright action, a trial court is entitled to reject a proffered measure of damages if it is too speculative. Although uncertainty as to the amount of damages will not preclude recovery, uncertainty as to the fact of damages may. It was the *fact* of damages that concerned the district court. The court found that plaintiffs “failed to establish *any* damages attributable to the infringement.” (emphasis in original). This finding is not clearly erroneous.

Plaintiffs offered no disinterested testimony showing that *Hallelujah Hollywood* precluded plaintiffs from presenting *Kismet* at some other hotel in Las Vegas. It is not implausible to conclude, as the court below apparently did, that a production presenting six minutes of music from *Kismet*, without telling any of the story of the play, would not significantly impair the prospects for presenting a full production of that play. Based on the record presented, the district court was not clearly erroneous in finding that plaintiffs’ theory of damages was uncertain and speculative.

[Editor’s note: The court remanded to the district court for reconsideration of the amount of profits attributable to the infringement and for consideration of whether defendants *Donn Arden* and *Metro–Goldwyn–Mayer, Inc.* should be liable in addition to *MGM Grand Hotel, Inc.*]

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## Check Your Understanding – *Frank Music I*

**Question 1.** Which of the following will preclude a prevailing copyright owner from being awarded actual damages?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-144>

Some things to consider when reading *Frank Music II*:

1. This was the decision of the appeal after remand of *Frank Music I*. It addresses the standard for awarding the “infringer’s profits” to a prevailing copyright owner.
2. Courts require plaintiffs to establish the amount of damages/profits with some level of precision, but some degree of imprecision is inevitable and permitted. We see this principle play out in *Frank Music I* and *II*.

## ***Frank Music Corp. v. Metro-Goldwyn-Mayer Inc. (Frank Music II)***

886 F.2d 1545 (9th Cir. 1989)

FLETCHER, Circuit Judge:

In *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 772 F.2d 505 (9th Cir.1985) (*Frank Music I*), we affirmed the district court’s holding that defendants infringed plaintiffs’ copyright in the dramatico-musical play *Kismet*, but remanded for reconsideration of the amount of profits attributable to the infringement and for consideration of whether defendants Donn Arden and Metro-Goldwyn-Mayer, Inc. (MGM, Inc.) should be liable in addition to MGM Grand Hotel, Inc. (MGM Grand). On remand, the district court awarded plaintiffs \$343,724 against MGM Grand, dismissed the action against MGM, Inc. and Arden, and awarded plaintiffs \$115,000 in attorney’s fees. Plaintiffs appeal and defendants cross-appeal. We affirm in part, reverse in part, and remand.

### **I. FACTS**

The facts are fully set out in *Frank Music I*, 772 F.2d at 509–11. We reiterate only selectively. Plaintiffs are the copyright owners and authors of *Kismet*, a dramatico-musical work. MGM, Inc. under license produced a musical motion picture version of *Kismet*. Beginning April 26, 1974, MGM Grand presented a musical revue entitled *Hallelujah Hollywood* in the hotel’s Ziegfeld Theatre. *Hallelujah Hollywood* was largely created by an employee of MGM Grand, Donn Arden, who also staged, produced and directed the show. The show comprised ten acts, four billed as “tributes” to MGM motion pictures. Act IV was entitled “*Kismet*”, and was a tribute to the MGM movie of that name. It was based almost entirely on music from *Kismet*, and used characters and settings from that musical. Act IV “*Kismet*” was performed approximately 1700 times, until July 16, 1976, when, under pressure resulting from this litigation, MGM Grand substituted a new Act IV.

Plaintiffs filed suit, alleging copyright infringement, unfair competition, and breach of contract. In *Frank Music I*, we affirmed the district court’s conclusion that the use of *Kismet* in *Hallelujah Hollywood* was beyond the scope of MGM Grand’s ASCAP license and infringed plaintiffs’ copyright. In this appeal, the parties focus on the adequacy of damages and attorney’s fees.

### **II. DISCUSSION**

#### **A. Apportionment of Profits**

##### **1. Direct Profits**

In *Frank Music I*, we upheld the district court's conclusion that the plaintiffs failed to prove actual damages arising from the infringement, but vacated the district court's award of \$22,000 in apportioned profits as "grossly inadequate," and remanded to the district court for reconsideration.

On remand, the district court calculated MGM Grand's net profit from *Hallelujah Hollywood* at \$6,131,606, by deducting from its gross revenues the direct costs MGM Grand proved it had incurred. Neither party challenges this calculation.

In apportioning the profits between Act IV and the other acts in the show, the district court made the following finding:

Act IV of "Hallelujah Hollywood" was one of ten acts, approximately a ten minute segment of a 100 minute revue. On this basis, the Court concludes that ten percent of the profits of "Hallelujah Hollywood" are attributable to Act IV.

Plaintiffs assert that this finding is in error in several respects. First, they point out that on Saturdays *Hallelujah Hollywood* contained only eight acts, not ten, and that on Saturdays the show ran only 75 minutes, not 100. Second, Act IV was approximately eleven and a half minutes long, not ten. Because the show was performed three times on Saturdays, and twice a night on the other evenings of the week, the district court substantially underestimated the running time of Act IV in relation to the rest of the show.

If the district court relied exclusively on a quantitative comparison and failed to consider the relative quality or drawing power of the show's various component parts, it erred. However, the district court's apportionment based on comparative durations would be appropriate if the district court implicitly concluded that all the acts of the show were of roughly equal value. Cf. *Frank Music I*, 772 F.2d at 518 ("Each element contributed significantly to the show's success, but no one element was the sole or overriding reason for that success.") While a more precise statement of the district court's reasons would have been desirable, we find support in the record for the conclusion that all the acts in the show were of substantially equal value.

The district court went on to apportion the parties' relative contributions to Act IV itself:

The infringing musical material was only one of several elements contributing to the segment. A portion of the profits attributable to Act IV must be allocated to other elements, including the creative talent of the producer and director, the talents of performers, composers, choreographers, costume designers and others who participated in creating Act IV, and the attraction of the unique Ziegfeld Theatre with its elaborate stage effects.... While no precise mathematical formula can be applied, the Court concludes that ... a fair approximation of the value of the infringing work to Act IV is twenty-five percent.

The district court was correct in probing into the parties' relative contributions to Act IV. Where a defendant alters infringing material to suit its own unique purposes, those alterations and the creativity behind them should be taken into account in apportioning the profits of the infringing work. However, the district court appears to have ignored its finding in its previous decision that defendants used not only the plaintiffs' music, but also their lyrics, characters, settings, and costume designs, recreating to a substantial extent the look and sound of the licensed movie version of *Kismet*.

While it was not inappropriate to consider the creativity of producers, performers and others involved in staging and adapting excerpts from *Kismet* for use in *Hallelujah Hollywood*, the district court erred in weighing these contributions so heavily. In performing the apportionment, the benefit of the doubt must always be given to the plaintiff, not the defendant. And while the apportionment may take into account the role of uncopyrightable elements of a work in generating that work's profits, the apportionment should not place too high a value on the defendants' staging of the work, at the expense of undervaluing the plaintiffs' more substantive creative contributions. Production contributions involving expensive costumes and lavish sets will largely be taken into account when deducting the defendants' costs. Indeed, defendants concede that had they produced *Kismet* *in toto*, it would have been proper for the district court to award 100% of their profits, despite their own creative efforts in staging such a production.

The district court found that defendants' staging of the *Kismet* excerpts was highly significant to Act IV's success. While we believe that a defendant's efforts in staging an infringing production will generally not support more than a *de minimis* deduction from the plaintiff's share of the profits, we cannot say the district court's conclusion that the defendants' contributions were substantial in this case is clearly erroneous. We recognize that there will be shows in which the attraction of the costumes, scenery or performers outweighs the attraction of the music or dialogue. On the other hand, a producer's ability to stage a lavish presentation, or a performer's ability to fill a hall from the drawing power of her name alone, is not a license to use freely the copyrighted works of others.

We conclude that apportioning 75% of Act IV to the defendants grossly undervalues the importance of the plaintiffs' contributions. Act IV was essentially *Kismet*, with contributions by the defendants; it was not essentially a new work incidentally plagiarizing elements of *Kismet*. A fairer apportionment, giving due regard to the district court's findings, attributes 75% of Act IV to elements taken from the plaintiffs and 25% to the defendants' contributions.

## 2. Indirect Profits

In *Frank Music I*, we held that the plaintiffs were entitled to recover, in addition to direct profits, a proportion of ascertainable indirect profits from defendants' hotel and gaming operations attributable to the promotional value of *Hallelujah Hollywood*. The district court considered the relative contributions of *Hallelujah Hollywood* and other factors contributing to the hotel's profits, including the hotel's guest accommodations, restaurants, cocktail lounges, star entertainment in the "Celebrity" room, the movie theater, Jai Alai, the casino itself, convention and banquet facilities, tennis courts, swimming pools, gym and sauna, and also the role of advertising and general promotional activities in bringing customers to the hotel. The district court concluded that two percent of MGM Grand's indirect profit was attributable to *Hallelujah Hollywood*. In light of the general promotion and the wide variety of attractions available at MGM Grand, this conclusion is not clearly erroneous.

## III. CONCLUSION

We vacate the damages award. We conclude that the proper apportionment entitles plaintiffs to 9% of the direct profits from *Hallelujah Hollywood*. We affirm the district court's finding as to the percentage of indirect profits attributable to *Hallelujah Hollywood*.

## Check Your Understanding – *Frank Music II*

**Question 1.** In a case in which a court awards the infringer’s profits to a prevailing copyright owner, what is the appropriate amount?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-145>

Some things to consider when reading *Warner Bros. I*:

1. The importance under the 1909 Act of formalities: notice and renewal. In particular, note that Warner Bros. forfeited some of its copyrights into the public domain by failing to comply with the formalities of providing notice with publication and copyright renewal.
2. The court’s discussion of the relationship between common law and statutory copyright, and the public domain, under the 1909 Act.
3. The court’s discussion of copyright in characters. Understand why it is that the court rejected the defendant’s argument that the plaintiff’s copyright in the characters had entered the public domain.
4. The court’s discussion of the right of the public to make derivative works of works that are in the public domain, and how this can be limited by the existence of related works that are covered by copyright.
5. The nature of the permanent injunction issued by the district court, and the 8<sup>th</sup> Circuit’s rationale for ordering a modification of the injunction.
6. On Jan. 1, 2024, the copyright expired on the original Mickey Mouse from the 1928 cartoon film *Steamboat Willie*. To what extent is Mickey Mouse now in the public domain and available for uses such those engaged in by the defendants in this case, i.e., licensed for uses of tee shirts, mugs, etc.?

### *Warner Bros. Entm’t v. X One X Prods. (Warner Bros. I)*

644 F.3d 584 (8th Cir. 2011)

GRUENDER, Circuit Judge.

A.V.E.L.A., Inc., X One X Productions, and Art–Nostalgia.com, Inc. (collectively, “AVELA”) appeal a permanent injunction prohibiting them from licensing certain images extracted from publicity materials for the films *Gone with the Wind* and *The Wizard of Oz*, as well as several animated short films featuring the cat-and-mouse duo “Tom & Jerry.” The district court issued the permanent injunction after granting summary judgment in favor of Warner Bros. Entertainment, Inc., Warner Bros. Consumer Products, Inc., and Turner Entertainment Co. (collectively, “Warner Bros.”) on their claim that the extracted images infringe copyrights



for the films. For the reasons discussed below, we affirm in part, reverse in part, and remand for appropriate modification of the permanent injunction.

## I. BACKGROUND

Warner Bros. asserts ownership of registered copyrights to the 1939 Metro-Goldwyn-Mayer (“MGM”) films *The Wizard of Oz* and *Gone with the Wind*. Before the films were completed and copyrighted, publicity materials featuring images of the actors in costume posed on the film sets were distributed to theaters and published in newspapers and magazines. The images in these publicity materials were not drawn from the film footage that was used in the films; rather, they were created independently by still photographers and artists before or during production of the films. The publicity materials, such as movie posters, lobby cards, still photographs, and press books, were distributed by the original rights-holder, MGM’s parent company Loew’s, Inc., and did not comply with the copyright notice requirements of the 1909 Copyright Act. Warner Bros. also asserts ownership of registered copyrights to various animated Tom & Jerry short films that debuted between 1940 and 1957. Movie posters and lobby cards for these short films also were distributed without the requisite copyright notice. As a result, Warner Bros. concedes that it has no registered federal copyrights in the publicity materials themselves.<sup>4</sup>

AVELA has acquired restored versions of the movie posters and lobby cards for *The Wizard of Oz*, *Gone with the Wind*, and several Tom & Jerry short films. From these publicity materials, AVELA has extracted the images of famous characters from the films, including Dorothy, Tin Man, Cowardly Lion, and Scarecrow from *The Wizard of Oz*; Scarlett O’Hara and Rhett Butler from *Gone with the Wind*; and the eponymous Tom and Jerry. AVELA licenses the extracted images for use on items such as shirts, lunch boxes, music box lids, and playing cards, and as models for three-dimensional figurines such as statuettes, busts, figurines inside water globes, and action figures. In many cases, AVELA has modified the images, such as by adding a character’s signature phrase from the movie to an image modeled on that character’s publicity photograph. In other cases, AVELA has combined images extracted from different items of publicity material into a single product. In one example, a publicity photograph of Dorothy posed with Scarecrow serves as the model for a statuette and another publicity photograph of the “yellow brick road” serves as the model for the base of that same statuette.

Warner Bros. sued AVELA, claiming that such use of the extracted images infringes the copyrights for the films. Warner Bros. also asserted claims of, *inter alia*, trademark infringement and unfair competition. AVELA contended that the distribution of the publicity materials without copyright notice had injected them into the public domain, thus precluding any restrictions on their use. On cross-motions for summary judgment, the district court granted summary judgment to Warner Bros. on the copyright infringement claim and denied summary judgment to both parties on the trademark infringement and unfair competition claims.

The district court’s analysis did not require it to determine expressly whether the publicity materials had reached the public domain. Instead, the district court held that, even if the images were extracted from public domain materials, AVELA’s practice of modifying the extracted images for placement on retail products constituted infringement of the film copyrights. Warner Bros. averred that it would not assert the copyrights against unaltered reproductions of individual items of publicity material, eliminating any need to resolve whether the publicity materials were in the public domain.

Based on the finding of copyright infringement, the district court separately entered a permanent injunction against all use of the publicity material images, except for exact duplication of individual items of publicity material. AVELA appeals the entry of the permanent injunction.

## **II. DISCUSSION**

### **A. Copyright Ownership**

*[The court concluded that Warner Bros. had established ownership of valid copyrights in the movies and animated shorts.]*

### **B. The Public Domain Nature of the Publicity Materials**

Because our analysis differs from that of the district court, we find it necessary to determine whether the publicity materials reached the public domain.

Whether a work entered the public domain prior to January 1, 1978, the effective date of the 1976 Copyright Act, must be determined according to copyright law as it existed before that date, under the 1909 Copyright Act. Under the 1909 Copyright Act, one who created an artistic work held a common law copyright in that work until “publication” occurred. If the publication complied with the notice requirements of the 1909 Copyright Act, the common law copyright was replaced with a federal statutory copyright, but a publication without the prescribed notice resulted in the forfeiture of any copyright. In other words, the general rule under the 1909 Copyright Act is that a work published in the United States without the statutorily required copyright notice fell into the public domain, precluding forever any subsequent copyright protection of the published work.

*[The court concluded that the publicity materials for The Wizard of Oz and Gone with the Wind, as well as for the Tom & Jerry short films, were published without notice and thus are in the public domain.]*

### **C. Copyright Infringement and the Right to Make Use of Public Domain Materials**

The elements of copyright infringement are (1) ownership of a valid copyright and (2) copying of original elements of the copyrighted work. As discussed above, Warner Bros. has established ownership of valid copyrights in the movies and animated shorts. Copying can be shown either by (1) direct evidence of copying, or (2) access to the copyrighted material and substantial similarity between the AVELA work and the copyrighted work. There is no dispute that AVELA had access to the films in question, each of which has a long history of popularity. In addition, there is no dispute that the images in the AVELA works are substantially similar to the images in the copyrighted films, as they are in fact images of the same people in the same costumes (or, in the case of Tom and Jerry, of the same cartoon characters). The only remaining question is whether AVELA has appropriated original elements of the films or solely elements that are in the public domain.

Warner Bros. does not challenge the products that are exact reproductions of an entire item of publicity material. Instead, Warner Bros. contends that AVELA has extracted images from the public domain materials and used them in new ways that infringe the copyrights in the associated films. AVELA admits that it has used the images in new ways (and indeed has applied for its own copyrights for such derivative works), but

it counters that there is no limitation on the public's right to modify or make new works from public domain materials.

AVELA is correct that, as a general proposition, the public is not limited solely to making exact replicas of public domain materials, but rather is free to use public domain materials in new ways (i.e., to make derivative works by adding to and recombining elements of the public domain materials). “[W]here a work has gone into the public domain, it *does* in fact follow that any individual is entitled to develop this work in new ways.” *Pannonia Farms, Inc. v. USA Cable*, 2004 WL 1276842, at \*9 & n. 20 (S.D.N.Y. June 8, 2004) (rejecting the theory that the plaintiff's copyrights in nine original Sherlock Holmes stories gave the plaintiff the exclusive right to make derivative works featuring the Holmes and Dr. Watson characters because fifty-plus earlier stories already had reached the public domain). Nevertheless, this freedom to make new works based on public domain materials ends where the resulting derivative work comes into conflict with a valid copyright.

For example, in *Silverman v. CBS Inc.*, 870 F.2d 40 (2d Cir.1989), a number of pre-1948 Amos ‘n’ Andy radio scripts had entered the public domain. However, CBS held valid copyrights in a number of post-1948 radio scripts and, arguably, in a later television series. In 1981, Silverman began developing a Broadway musical version of Amos ‘n’ Andy, and CBS alleged that his script infringed its copyrights. Like AVELA here, Silverman argued that because the pre-1948 Amos ‘n’ Andy scripts were in the public domain, he was free to make any derivative work he wished featuring the Amos ‘n’ Andy characters. The court disagreed, holding that derivative works based on the public domain scripts still would infringe to the extent they used “any further delineation of the characters contained in the post-1948 radio scripts and the television scripts and programs, if it is ultimately determined that these last items remain protected by valid copyrights.” *Id.* at 50; see also *Pannonia Farms*, 2004 WL 1276842, at \*9 (noting that although the characters of Sherlock Holmes and Dr. Watson were in the public domain based on fifty-plus public domain original stories, a new work that incorporated “character traits newly introduced” by the nine later original stories still under copyright would infringe those copyrights).

In other words, if material related to certain characters is in the public domain, but later works covered by copyright add new aspects to those characters, a work developed from the public domain material infringes the copyrights in the later works to the extent that it incorporates aspects of the characters developed solely in those later works. Therefore, we must determine (1) the apparent scope of the copyrights in the later works (here, the films), (2) the scope of the material dedicated to the public in the publicity materials, which correspondingly limits the scope of the film copyrights, and (3) the scope into which each of AVELA's images falls. If an AVELA work falls solely within the scope of the material dedicated to the public, there can be no infringement liability under the film copyrights. On the other hand, if some portion of an AVELA work falls outside the scope of the material dedicated to the public, but within the scope of the film copyrights, AVELA is liable for infringement.

### 1. The Scope of the Film Copyrights

It is clear that when cartoons or movies are copyrighted, a component of that copyright protection extends to the characters themselves, to the extent that such characters are sufficiently distinctive. See, e.g., *Gaiman v. McFarlane*, 360 F.3d 644, 661 (7th Cir.2004) (“[A] stock character, once he was drawn and named and given speech [in a comic book series] ... became sufficiently distinctive to be copyrightable.”); *Olson v.*

*Nat'l Broad. Co., Inc.*, 855 F.2d 1446, 1452 (9th Cir.1988) (holding that “copyright protection may be afforded to characters visually depicted in a television series or in a movie” for “characters who are especially distinctive”); *Metro-Goldwyn-Mayer*, 900 F.Supp. at 1296 (holding that plaintiffs’ copyrighted James Bond films established a copyright in the character of James Bond). The district court thoroughly and accurately applied this principle to the instant case, and the parties do not contest the district court’s analysis. We agree with the district court’s conclusion that Dorothy, Tin Man, Cowardly Lion, and Scarecrow from *The Wizard of Oz*, Scarlett O’Hara and Rhett Butler from *Gone with the Wind*, and Tom and Jerry each exhibit “consistent, widely identifiable traits” in the films that are sufficiently distinctive to merit character protection under the respective film copyrights. See *Rice v. Fox Broad. Co.*, 330 F.3d 1170, 1175 (9th Cir.2003).

AVELA correctly points out that the scope of copyright protection for the characters in the films *The Wizard of Oz* and *Gone with the Wind* is limited to the increments of character expression in the films that go beyond the character expression in the books on which they were based. While true, this has little practical effect in the instant case, as a book’s description of a character generally anticipates very little of the expression of the character in film.

The film actors’ portrayals of the characters at issue here appear to rely upon elements of expression far beyond the dialogue and descriptions in the books. AVELA has identified no instance in which the distinctive mannerisms, facial expressions, voice, or speech patterns of a film character are anticipated in the corresponding book by a literary description that evokes, to any significant extent, what the actor portrayed. Put more simply, there is no evidence that one would be able to visualize the distinctive details of, for example, Clark Gable’s performance *before* watching the movie *Gone with the Wind*, even if one had read the book beforehand. At the very least, the scope of the film copyrights covers all visual depictions of the film characters at issue, except for any aspects of the characters that were injected into the public domain by the publicity materials.

## 2. The Scope of the Material Dedicated to the Public

AVELA contends that the injection of the publicity materials into the public domain simultaneously injected the film characters themselves into the public domain. To the extent that copyright-eligible aspects of a character are injected into the public domain, the character protection under the corresponding film copyrights must be limited accordingly.

As an initial matter, we reject AVELA’s contention that the publicity materials placed the entirety of the film characters at issue into the public domain. The isolated still images included in the publicity materials cannot anticipate the full range of distinctive speech, movement, demeanor, and other personality traits that combine to establish a copyrightable character. See, e.g., *Metro-Goldwyn-Mayer*, 900 F.Supp. at 1296 (citing “various character traits that are specific to Bond—i.e. his cold-bloodedness; his overt sexuality; his love of martinis ‘shaken, not stirred;’ his marksmanship; his ‘license to kill’ and use of guns; his physical strength; [and] his sophistication,” rather than his visual appearance alone, as establishing the copyrightability of the character). Nevertheless, the publicity materials could have placed some aspects of each character’s visual appearance into the public domain.

Because we must rely solely on visual characteristics, the individuals shown in the publicity materials establish “characters” for copyright purposes only if they display “consistent, widely identifiable” visual

characteristics. The *Walker* case is instructive in this regard. There, the plaintiff asserted his copyright in a comic strip entitled “Mr. Bob Spongee, The Unemployed Sponge” against the producers of the animated television series “SpongeBob SquarePants.” *Walker v. Viacom Int’l, Inc.*, 2008 WL 2050964 (N.D. Cal. May 13, 2008). The plaintiff had created sponge dolls based on his comic strip and placed advertisements in a newspaper. Because these materials revealed “little to no information about Mr. Bob Spongee’s personality or character traits,” the court could look only to his visual appearance for distinctiveness. The court held that in such a situation, a consistent visual appearance throughout the materials was a prerequisite for character protection. Because of variations in the sponge’s clothing, color, eye and nose shape, and hair among the comic strip, dolls, and advertisements, the plaintiff’s copyright did not create *any* character protection.

Therefore, we must determine if any individual is depicted with consistent, distinctive visual characteristics throughout the various publicity materials. If so, those consistent visual characteristics define the “copyrightable elements” of that film character, which were injected into the public domain by the publicity materials. If not, then there are no visual aspects of the film character in the public domain, apart from the publicity material images themselves.

With respect to the cartoon characters Tom and Jerry, we note that on the spectrum of character copyrightability, the category of cartoon characters often is cited as the paradigm of distinctiveness. The record indicates that the Tom & Jerry publicity materials consist of just one public domain movie poster for each copyrighted short film, and the visual characteristics of Tom and Jerry in the first poster, for *Puss Gets the Boot* (released in 1940), are quite different from the characters popularly recognized as Tom and Jerry today. In addition, the first poster by itself reveals no distinctive character or visual traits, but only visual characteristics typical to cats and mice. As a result, the first poster is essentially a generic cat-and-mouse cartoon drawing that cannot establish independently copyrightable characters.

Meanwhile, the copyrighted short film that immediately followed the first poster revealed Tom and Jerry’s character traits and signature antagonistic relationship. With the benefit of these strong character traits, the first short film *was* sufficient to establish the copyrightable elements of the Tom and Jerry characters as depicted therein. In such a situation, each subsequent movie poster could inject into the public domain only the increments of expression, if any, that the movie poster itself added to the already-copyrighted characters from previously released Tom & Jerry films. Because they derive from a work still covered by statutory copyright, the underlying characters of Tom and Jerry are not in the public domain until the copyrights in the Tom & Jerry short films begin to expire.

In contrast to Tom & Jerry, the record is clear that a veritable blitz of publicity materials for *Gone with the Wind* and *The Wizard of Oz* was distributed prior to the publication of each film. However, with respect to *Gone with the Wind*, the publicity material images are far from the cartoon-character end of the spectrum of character copyrightability. There is nothing consistent and distinctive about the publicity material images of Vivian Leigh as Scarlett O’Hara and Clark Gable as Rhett Butler. They certainly lack any cartoonishly unique physical attributes, and neither one is shown in a consistent, unique outfit and hairstyle. As a result, the district court correctly held that the publicity material images for *Gone with the Wind* are no more than “pictures of the actors in costume.” Indeed, if the publicity material images from *Gone with the Wind* were sufficient to inject all visual depictions of the characters Scarlett O’Hara and Rhett Butler into the public domain, then almost *any* image of Vivian Leigh or Clark Gable would be sufficient to do so as well. Therefore,

the only images in the public domain are the precise images in the publicity materials for *Gone with the Wind*.

The characters in *The Wizard of Oz* lie closer to the cartoon-character end of the spectrum. There are many stylized aspects to the visual appearances of Scarecrow, Tin Man, and Cowardly Lion, and they perhaps might be considered as live-action representations of cartoon characters. Dorothy, while not so thoroughly stylized, wears a somewhat distinctive costume and hairstyle. However, a close examination of the record reveals that these potentially distinctive visual features do not appear in a consistent fashion throughout the publicity materials. For example, in the publicity materials, Judy Garland as Dorothy sometimes wears a red dress and bow and black slippers, rather than the distinctive blue dress and bow and ruby slippers of the film, and her hairstyle also varies. From image to image, Scarecrow's costume color ranges from yellow to blue to black, Cowardly Lion's from light yellow to very dark brown, and Tin Man's from shiny silver to a dull blue-gray. Moreover, there are publicity material images in which other stylized elements of the characters' costumes and faces are significantly different from the look used in the film. For example, in some images Tin Man's face appears metallic, and in others it appears flesh-colored. If the publicity material images for *The Wizard of Oz* were held to establish the visual elements of copyrightable characters, their scope would encompass almost any character who wears a scarecrow or lion costume, and a wide range of little girl and silver robotic costumes as well, creating an unacceptable result:

If a drunken old bum were a copyrightable character, so would be a drunken suburban housewife, a gesticulating Frenchman, a fire-breathing dragon, a talking cat, a Prussian officer who wears a monocle and clicks his heels, a masked magician, *Rice v. Fox Broadcasting Co.*, 330 F.3d 1170, 1175–76 (9th Cir.2003), and, in Learned Hand's memorable paraphrase of *Twelfth Night*, “a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress.” *Nichols v. Universal Pictures Corp.*, 45 F.2d 119, 121 (2d Cir.1930). It would be difficult to write successful works of fiction without negotiating for dozens or hundreds of copyright licenses, even though such stereotyped characters are the products not of the creative imagination but of simple observation of the human comedy.

*Gaiman*, 360 F.3d at 660.

We conclude that the characters' visual appearances in the publicity materials for *The Wizard of Oz* do not present the requisite consistency to establish any “copyrightable elements” of the film characters' visual appearances. Therefore, once again, the only images in the public domain are the precise images in the publicity materials for *The Wizard of Oz*.

### 3. AVELA's Use of the Public Domain Images

We held above that no visual aspects of the film characters in *Gone with the Wind* and *The Wizard of Oz* are in the public domain, apart from the images in the publicity materials themselves. Therefore, any visual representation that is recognizable as a copyrightable character from one of these films, other than a faithful copy of a public domain image, has copied “original elements” from the corresponding film. We must examine the AVELA products based on *The Wizard of Oz* and *Gone with the Wind* to determine which ones display increments of expression of the film characters beyond the pictures of the actors in costume in the publicity materials. The AVELA products in the record can be analyzed in three categories.

The first category comprises AVELA products that each reproduce one image from an item of publicity material as an identical two-dimensional image. While Warner Bros. does not challenge the reproduction of movie “posters as posters (or lobby cards as lobby cards),” it does challenge the reproduction of a single image drawn from a movie poster or lobby card on T-shirts, lunch boxes, music box lids, or playing cards, for example. We read the district court’s permanent injunction to follow Warner Bros.’s distinction, forbidding all uses except the reproduction of items of publicity material “in their entirety.” However, no reasonable jury could find that merely printing a public domain image on a new type of surface (such as a T-shirt or playing card), instead of the original surface (movie poster paper or lobby card paper), adds an increment of expression of the film character to the image. Similarly, Warner Bros. presents no reasoned argument as to why the reproduction of one smaller contiguous portion of an image from an item of publicity material, rather than the entirety of the image from that item, would add an increment of expression of the film character. As a result, products that reproduce in two dimensions any one portion of an image from any one item of publicity material, without more, do not infringe Warner Bros.’s copyright. For products in this category, we reverse the grant of summary judgment to Warner Bros. with respect to *The Wizard of Oz* and *Gone with the Wind* and direct the entry of summary judgment for AVELA. We also vacate the permanent injunction to the extent it applies to products in this category.

The second category comprises AVELA products that each juxtapose an image extracted from an item of publicity material with another image extracted from elsewhere in the publicity materials, or with a printed phrase from the book underlying the subject film, to create a new composite work. Even if we assume that each composite work is composed entirely of faithful extracts from public domain materials, the new arrangement of the extracts in the composite work is a new increment of expression that evokes the film character in a way the individual items of public domain material did not. For example, the printed phrase “There is no place like home” from the book *The Wizard of Oz* and a publicity material image of Judy Garland as Dorothy, viewed side by side in uncombined form, are still two separate works, one literary and one a picture of an actor in costume. In contrast, a T-shirt printed with the phrase “There’s no place like home” along with the same image of Judy Garland as Dorothy is a new single work that evokes the film character of Dorothy much more strongly than the two separate works. Because the increments of expression added to the public domain materials by the films are protectable, one making a new work from public domain materials infringes if he copies these protectable increments. Like the juxtaposition of an image and a phrase, a composite work combining two or more separate public-domain images (such as Judy Garland as Dorothy combined with an image of the Emerald City) also adds a new increment of expression of the film character that was not present in the separate images. Accordingly, products combining extracts from the public domain materials in a new arrangement infringe the copyright in the corresponding film. We affirm the district court’s grant of summary judgment to Warner Bros. with respect to *The Wizard of Oz* and *Gone with the Wind* and the permanent injunction for this category of products.

The third category comprises AVELA products that each extend an image extracted from an item of publicity material into three dimensions (such as statuettes inside water globes, figurines, action figures, and busts). Many of these products also include a juxtaposition of multiple extracts from the public domain materials, and such composite works infringe for the reasons explained in the preceding paragraph. Even where the product extends a single two-dimensional public domain image into three dimensions, a three-dimensional rendering must add new visual details regarding depth to the underlying two-dimensional image. (As a simple illustration, it is impossible to determine the length of someone’s nose from a picture if they are

looking directly at the camera.) Of course, even more visual details must be added if the two-dimensional image is transformed into a fully realized figure, as most three-dimensional AVELA products are. (Otherwise, for example, the back of each figurine character would be blank.) Much of this visual information is available in the feature-length films, where the characters are observable from a multitude of viewing angles.

In depositions, the AVELA licensees who developed the action figures, figurines, water globes, and busts made no pretense that they were not guided by their knowledge of the films. Instead, they indicated that, while each three-dimensional design began with an image from the public domain photo stills and movie posters, the goal was to create a product recognizable as the film character. The only reasonable inference is that the details added to establish perspective and full realization were chosen to be consistent with the film characters. As a result, the addition of visual details to each two-dimensional public domain image to create the three-dimensional product makes impermissible use of the “further delineation of the characters contained in” the feature-length films. Accordingly, we also affirm the district court’s grant of summary judgment to Warner Bros. with respect to *The Wizard of Oz* and *Gone with the Wind* and the permanent injunction for this category of products.

We also held above that the characters of Tom and Jerry are not in the public domain. In addition, because the characters achieved copyright protection through the short films before all but the first movie poster entered the public domain, and the later movie posters necessarily exhibit those characters, even the use of any movie poster but the first requires Warner Bros.’s authorization. Warner Bros. has granted such authorization to the extent it has averred that it will not challenge the reproduction of movie “posters as posters (or lobby cards as lobby cards).”

Therefore, AVELA may use the first Tom & Jerry poster, for the short film *Puss Gets the Boot*, in the fashion described above for the publicity materials for *Gone with the Wind* and *The Wizard of Oz*. Accordingly, with respect to Tom & Jerry products based on the first publicity poster, we modify the district court’s grant of summary judgment and the permanent injunction to be consistent with the three categories of products described above for *Gone with the Wind* and *The Wizard of Oz*. With respect to all later Tom & Jerry posters, AVELA is authorized to make faithful reproductions, but not to reproduce those movie poster images on other products or to make derivative works based on Tom and Jerry. Accordingly, we affirm the grant of summary judgment to Warner Bros. and the permanent injunction crafted by the district court with respect to all other Tom & Jerry products.

### III. CONCLUSION

For the foregoing reasons, we affirm in large part the district court’s grant of summary judgment to Warner Bros. on the issue of copyright infringement and the resulting permanent injunction. We reverse with respect to one category of AVELA products, and we vacate in corresponding part the permanent injunction entered by the district court. We remand for modification of the permanent injunction and further proceedings consistent with this opinion.

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## Check Your Understanding – *Warner Bros. I*

**Question 1.** Once a copyrighted work enters the public domain, are members of the public free to use elements of the work in their own new creations?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-134>

**Question 2.** Can a film character be copyrighted?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-135>

**Question 3.** According to the Eighth Circuit in *Warner Bros. I*, what activities should the permanent injunction issued against the defendants encompass?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-136>

Some things to consider when reading *Warner Bros. II*:

1. Five years after the Eighth Circuit affirmed the permanent injunction against AVELA in *Warner Bros. I*, the court issued the following decision affirming the district court's award of statutory damages.
2. 17 U.S.C. 504(c) provides for statutory damages as follows:

(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 for all infringements involved in the action, . . . 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 was: (i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which . . . infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work.

3. As noted in the introduction to this section of the casebook, in order to be eligible for statutory damages the copyright owner must register the work either prior to the infringement or within three months of publication. Statutory damages allow for an award of substantial damages to a copyright owner, even under circumstances in which the copyright owner is unable to establish the amount of actual damages or infringer profits. Courts have broad discretion to assess statutory damages at a level intended to punish the infringer and deter others from engaging in infringing conduct, functioning as a form of punitive damages.

### *Warner Bros. Entm't v. X One X Prods. (Warner Bros. II)*

840 F.3d 971 (8th Cir. 2016)

GRUENDER, Circuit Judge.

[Editor's note: In its final order, the district court granted statutory damages under the Copyright Act in the amount of \$10,000 per infringed copyright (257 copyrights for a total award of \$2,570,000).]

AVELA argues that the \$2,570,000 statutory damages award is disproportionate to the offense, insufficiently reasoned, and in violation of this court's ruling in the previous appeal. AVELA fails to establish that this is the case.

We review damages awarded under the Copyright Act for clear error. The Supreme Court long ago declared that damages awarded pursuant to a statute violate due process only if they are so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.

The district court's award of \$10,000 per infringed work is not clearly erroneous. In *Capitol Records, Inc. v. Thomas-Rasset*, 692 F.3d 899 (8th Cir. 2012), this court upheld a statutory damages award of \$9,250 per infringed work (for a total of \$222,000) as consistent with due process, emphasizing the intentionally discretionary nature of statutory damages.<sup>5</sup> Although the absolute amount of the award, not just the amount per violation, is relevant to whether the award is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable, the total award of \$2.57 million in the present

case is not obviously unreasonable. As the district court explained, “This case has had a tortured and laborious discovery history,” in which AVELA’s intransigence rendered calculating actual damages impossible due to missing or inaccurate records. Importantly, the district court noted that over the many years of litigation (now a decade), AVELA did not cease the infringing activity at any time. That the district court therefore considered a substantial damages award necessary to deter future infringement and provide sufficient restitution to the copyright holder is not clearly erroneous. Additionally, while the total award in this case far exceeds the total award in *Capitol Records*, the defendant in that case was an individual sharing music files on a peer-to-peer network. AVELA’s activities are far more extensive, and the amount awarded per infringed work is well within the statutory range of \$750 to \$30,000. 17 U.S.C. § 504(c)(1). As a result, the award in this case is not obviously unreasonable.

Finally, the statutory damages award does not contravene this court’s decision in the prior appeal. The distinctions we drew between categories of activities that do and do not constitute copyright infringement do not bear on how a court determines the appropriate amount of statutory damages for those activities that did constitute infringement. The Copyright Act structures awards of statutory damages on the basis of each copyrighted work infringed, not on the basis of each instance of infringement. See 17 U.S.C. § 504(c)(1) (“[T]he copyright owner may elect ... to recover ... an award of statutory damages for all infringements involved in the action, with respect to any one work ... in a sum of not less than \$750 or more than \$30,000 as the court considers just.”). We affirmed in the prior appeal that AVELA infringed each of Warner’s copyrights in *The Wizard of Oz*, *Gone With the Wind*, and *Tom and Jerry* cartoons in at least some respect. Accordingly, the district court did not contravene this court’s decision by awarding damages on a per work basis.

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## Check Your Understanding – *Warner Bros. II*

**Question 1.** Which of the following was a valid justification for the amount of statutory damages awarded by the district court in *Warner Bros. II*?



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**Question 2.** In a hypothetical case involving a single copyrighted work that was infringed by the defendant on 1000 separate occasions, which of the following awards of statutory damages would be within the range allowed by statute (assume that the infringement was not willful or innocent)?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-138>

Some things to consider when reading *Capitol Records*:

1. This is a case involving unauthorized file sharing on the peer-to-peer network KaZaA. Which of the exclusive rights of the copyright owner are potentially infringed by file sharing? Which right(s) were found to be infringed in this case?
2. The means by which the copyright owner detected and proved copyright infringement.
3. The specific details of the district court's permanent injunction, and the basis on which the appellate court held that the injunction must be modified.
4. The amount of statutory damages awarded, and why the appellate court upheld it.
5. The unresolved controversy as to whether simply making copyrighted works available to the public violates a copyright owners' exclusive right to distribution under 17 U.S.C. § 106(3), regardless of whether actual distribution has been shown.

### *Capitol Records, Inc. v. Thomas-Rasset*

692 F.3d 899 (8th Cir. 2012)

COLLTON, Circuit Judge.

This appeal arises from a dispute between several recording companies and Jammie Thomas–Rasset. There is a complicated procedural history involving three jury trials, but for purposes of appeal, it is undisputed that Thomas–Rasset willfully infringed copyrights of twenty-four sound recordings by engaging in file-sharing on the Internet. After a first jury found Thomas–Rasset liable and awarded damages of \$222,000, the district court granted a new trial on the ground that the jury instructions incorrectly provided that the Copyright Act forbids making sound recordings available for distribution on a peer-to-peer network, regardless of whether there is proof of “actual distribution.” A second jury found Thomas–Rasset liable for willful copyright infringement under a different instruction, and awarded statutory damages of \$1,920,000. The district court remitted the award to \$54,000, and the companies opted for a new trial on damages. A third jury awarded statutory damages of \$1,500,000, but the district court ultimately ruled that the maximum amount permitted by the Due Process Clause of the Fifth Amendment was \$54,000 and reduced the verdict accordingly. The court also enjoined Thomas–Rasset from taking certain actions with respect to copyrighted recordings owned by the recording companies.

The companies appeal two aspects of the remedy ordered by the district court. They object to the district court's ruling on damages, and they seek an award of \$222,000, which was the amount awarded by the

jury in the first trial. In a cross-appeal, Thomas–Rasset argues that *any* award of statutory damages is unconstitutional, and urges us to vacate the award of damages altogether.

For reasons set forth below, we conclude that the recording companies are entitled to the remedies they seek: damages of \$222,000 and a broadened injunction that forbids Thomas–Rasset to make available sound recordings for distribution. But because the verdicts returned by the second and third juries are sufficient to justify these remedies, it is unnecessary for this court to consider the merits of the district court’s order granting a new trial after the first verdict. Important though the “making available” legal issue may be to the recording companies, they are not entitled to an opinion on an issue of law that is unnecessary for the remedies sought or to a freestanding decision on whether Thomas–Rasset violated the law by making recordings available.

## I.

Capitol Records, Inc., Sony BMG Music Entertainment, Arista Records LLC, Interscope Records, Warner Bros. Records, and UMG Recordings, Inc., are recording companies that own the copyrights to large catalogs of music recordings. In 2005, they undertook to investigate suspected infringement of these copyrights. MediaSentry, an online investigative firm hired by the recording companies, discovered that an individual with the username “tereastarr” was participating in unauthorized file sharing on the peer-to-peer network KaZaA.

During the relevant time period, KaZaA was a file-sharing computer program that allowed its users to search for and download specific files from other users. KaZaA users shared files using a share folder. A share folder is a location on the user’s computer in which the user places files—such as audio or video recordings—that she wants to make available for other users to download. KaZaA allowed its users to access other users’ share folders, view the files in the folder, and download copies of files from the folder.

MediaSentry accessed tereastarr’s share folder. The investigative firm determined that the user had downloaded copyrighted songs and was making those songs available for download by other KaZaA users. MediaSentry took screen shots of tereastarr’s share folder, which included over 1,700 music files, and downloaded samples of the files. But MediaSentry was unable to collect direct evidence that other users had downloaded the files from tereastarr. MediaSentry then used KaZaA to send two instant messages to tereastarr, notifying the user of potential copyright infringement. Tereastarr did not respond to the messages. MediaSentry also determined tereastarr’s IP address, and traced the address to an Internet service account in Duluth, Minnesota, provided by Charter Communications. MediaSentry compiled this data in a report that it prepared for the recording companies.

Using the information provided by MediaSentry, the recording companies, through the Recording Industry Association of America (RIAA), issued a subpoena to Charter Communications requesting the name of the person associated with tereastarr’s IP address. Charter informed the RIAA that the IP address belonged to Jammie Thomas–Rasset. The RIAA then sent a letter to Thomas–Rasset informing her that she had been identified as engaging in unauthorized trading of music and inviting her to contact them to discuss the situation and settle the matter. Thomas–Rasset contacted the RIAA as directed in the letter and engaged in settlement conversations with the organization. The parties were unable to resolve the matter.

In 2006, the recording companies sued Thomas–Rasset, seeking statutory damages and injunctive relief

for willful copyright infringement. They alleged that Thomas–Rasset violated their exclusive right to reproduction and distribution under 17 U.S.C. § 106 by impermissibly downloading, distributing, and making available for distribution twenty-four copyrighted sound recordings.

A jury trial was held in October 2007. At trial, Thomas–Rasset conceded that “tereastarr” is a username that she uses regularly for Internet and computer accounts. She admitted familiarity with and interest in some of the artists of works found in the tereastarr KaZaA account. She also acknowledged that she wrote a case study during college on the legality of Napster—another peer-to-peer file sharing program—and knew that Napster was shut down because it was illegal. Nonetheless, Thomas–Rasset testified that she had never heard of KaZaA before this case, did not have KaZaA on her computer, and did not use KaZaA to download files. The jury also heard evidence from a forensic investigator that Thomas–Rasset removed and replaced the hard drive on her computer with a new hard drive after investigators notified her of her potential infringement. The new hard drive did not contain the files at issue.

At the close of evidence, the district court instructed the jury that one who reproduces or distributes a copyrighted work without license infringes the copyright. The court’s instructions defined “reproduction” to include “[t]he act of downloading copyrighted sound recordings on a peer-to-peer network.” The court also instructed that the act of “making copyrighted sound recordings available for electronic distribution on a peer-to-peer network, without license from the copyright owners, violates the copyright owners’ exclusive right of distribution, regardless of whether actual distribution has been shown.” The jury found Thomas–Rasset liable for willful infringement and awarded the recording companies statutory damages of \$9,250 per work, for a total of \$222,000.

Thomas–Rasset moved for a new trial or, in the alternative, for a remittitur, arguing that the size of the jury’s statutory damages award violated her rights under the Due Process Clause. The United States intervened to defend the constitutionality of the statute on statutory damages, 17 U.S.C. § 504(c). The recording companies also filed a post-trial motion, seeking to amend the judgment to include an injunction enjoining Thomas–Rasset from infringing the recording companies’ copyrights by “using the Internet or any online media distribution system to reproduce (i.e., download) any of Plaintiffs’ Recordings, to distribute (i.e., upload) any of Plaintiffs’ Recordings, or to make any of Plaintiffs’ Recordings available for distribution to the public.”

Several months later, the district court *sua sponte* raised the issue whether it erred by instructing the jury that making sound recordings available for distribution on a peer-to-peer network violates a copyright owners’ exclusive right to distribution, “regardless of whether actual distribution has been shown.” The parties filed supplemental briefs in which the recording companies defended the court’s instruction and Thomas–Rasset argued that the court erred when it instructed the jury on the “making available” issue. After a hearing, the district court granted Thomas–Rasset’s motion for a new trial on this alternative ground, holding that making a work available to the public is not “distribution” under 17 U.S.C. § 106(3). The issue whether making copyrighted works available to the public is a right protected by § 106(3) has divided the district courts. Compare, e.g., *Atl. Recording Corp. v. Howell*, 554 F.Supp.2d 976, 981–84 (D.Ariz.2008), and *London–Sire Records v. Doe 1*, 542 F.Supp.2d 153, 176 (D.Mass.2008), with *Motown Record Co. v. DePietro*, No. 04–CV–2246, 2007 WL 576284, at \*3 (E.D.Pa. Feb. 16, 2007), and *Warner Bros. Records, Inc., v. Payne*, No. W–06–CA–051, 2006 WL 2844415, at \*3 (W.D.Tex. July 17, 2006).

The district court convened a second trial in June 2009, at which the recording companies produced substantially the same evidence of Thomas–Rasset’s liability. At this trial, however, Thomas–Rasset attempted to deflect responsibility by suggesting for the first time that her children and former boyfriend might have done the downloading and file-sharing attributed to the “tereastarr” username. The court again instructed the jury that reproduction or distribution constituted copyright infringement. But this time, the court omitted reference to making works available and instructed the jury that “[t]he act of distributing copyrighted sound recordings to other users on a peer-to-peer network, without license from the copyright owners, violates the copyright owners’ exclusive distribution right.” The jury again found Thomas–Rasset liable for willful infringement, and awarded the recording companies statutory damages of \$80,000 per work, for a total of \$1,920,000.

Following the second trial, Thomas–Rasset filed a post-trial motion in which she argued that any statutory damages award would be unconstitutional in her case, but in the alternative that the court should reduce the jury’s award either through remittitur or based on the Due Process Clause. The district court declined to rule on the constitutional issue and instead remitted damages to \$2,250 per work, for a total of \$54,000, on the ground that the jury’s award was “shocking.” The recording companies declined the remitted award and exercised their right to a new trial on damages.

A third trial was held in November 2010, and the only question for the jury was the amount of statutory damages. The jury awarded the recording companies statutory damages of \$62,500 per work, for a total of \$1,500,000.

Thomas–Rasset then moved to alter or amend the judgment, again arguing that any statutory damages award would be unconstitutional, but alternatively that the district court should reduce the award under the Due Process Clause. The district court granted Thomas–Rasset’s motion and reduced the award to \$2,250 per work, for a total of \$54,000. The court ruled that this amount was the maximum award permitted by the Due Process Clause. The district court also entered a permanent injunction against Thomas–Rasset, but refused to include language enjoining her from “making available” copyrighted works for distribution to the public.

The recording companies appeal the judgment of the district court, arguing that the district court erred in (1) granting a new trial based on the “making available” instruction in the first trial, and (2) holding that the Due Process Clause limits statutory damages to \$2,250 per infringed work. They request that we reinstate and affirm the first jury’s \$222,000 award, and remand with instructions to grant an injunction prohibiting Thomas–Rasset from making the copyrighted works available to the public. Thomas–Rasset cross-appeals, arguing that even an award of the minimum statutory damages authorized by the Copyright Act would be unconstitutional.

## II.

For the reasons set forth below, we conclude that when the district court entered judgment after the verdict in the third trial, the court should have enjoined Thomas–Rasset from making copyrighted works available to the public, whether or not that conduct by itself violates rights under the Copyright Act. We also conclude that statutory damages of at least \$222,000 were constitutional, and that the district court erred in holding that the Due Process Clause allowed statutory damages of only \$54,000.

## A.

After the third trial, the district court entered an injunction that prohibits Thomas–Rasset from “using the Internet or any online media distribution system to reproduce (i.e., download) any of Plaintiffs’ Recordings, or to distribute (i.e., upload) any of Plaintiff’s Recordings.” The recording companies urged the district court to amend the judgment to enjoin Thomas–Rasset from making any of their sound recordings available for distribution to the public through an online media distribution system. The district court declined to do so on the ground that the Copyright Act does not provide an exclusive right to making recordings available. The court further reasoned that the injunction as granted was adequate to address the concerns of the companies. We review the grant or denial of a permanent injunction for abuse of discretion.

We conclude that the district court’s ruling was based on an error of law. Even assuming for the sake of analysis that the district court’s ruling on the scope of the Copyright Act was correct, a district court has authority to issue a broad injunction in cases where “a proclivity for unlawful conduct has been shown.” See *McComb v. Jacksonville Paper Co.*, 336 U.S. 187, 192 (1949). The district court is even permitted to enjoin certain otherwise lawful conduct where the defendant’s conduct has demonstrated that prohibiting only unlawful conduct would not effectively protect the plaintiff’s rights against future encroachment. If a party has violated the governing statute, then a court may in appropriate circumstances enjoin conduct that allowed the prohibited actions to occur, even if that conduct standing alone, would have been unassailable.

Thomas–Rasset’s willful infringement and subsequent efforts to conceal her actions certainly show a proclivity for unlawful conduct. The recording companies rightly point out that once Thomas–Rasset makes copyrighted works available on an online media distribution system, she has completed all of the steps necessary for her to engage in the same distribution that the court did enjoin. The record also demonstrates the practical difficulties of detecting actual transfer of recordings to third parties even when a party has made large numbers of recordings available for distribution online. The narrower injunction granted by the district court thus could be difficult to enforce.

For these reasons, we conclude that the district court erred after the third trial by concluding that the broader injunction requested by the companies was impermissible as a matter of law. An injunction against making recordings available was lawful and appropriate under the circumstances, even accepting the district court’s interpretation of the Copyright Act. Thomas–Rasset does not resist expanding the injunction to include this relief. We therefore will direct the district court to modify the judgment to include the requested injunction.

## B.

On the question of damages, we conclude that a statutory damages award of \$9,250 for each of the twenty-four infringed songs, for a total of \$222,000, does not contravene the Due Process Clause. The district court erred in reducing the third jury’s verdict to \$2,250 per work, for a total of \$54,000, on the ground that this amount was the maximum permitted by the Constitution.

The Supreme Court long ago declared that damages awarded pursuant to a statute violate due process only if they are “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.” *St. Louis, I. M. & S. Ry. Co. v. Williams*, 251 U.S. 63, 67 (1919). Under this standard, Congress



possesses a wide latitude of discretion in setting statutory damages. *Williams* is still good law, and the district court was correct to apply it.

Thomas-Rasset urges us to consider instead the “guideposts” announced by the Supreme Court for the review of punitive damages awards under the Due Process Clause. When a party challenges an award of punitive damages, a reviewing court is directed to consider three factors in determining whether the award is excessive and unconstitutional: “(1) the degree of reprehensibility of the defendant’s misconduct; (2) the disparity between the actual or potential harm suffered by the plaintiff and the punitive damages award; and (3) the difference between the punitive damages awarded by the jury and the civil penalties authorized or imposed in comparable cases.” *State Farm Mut. Auto. Ins. Co. v. Campbell*, 538 U.S. 408, 418 (2003); see also *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559, 574–75 (1996).

The Supreme Court never has held that the punitive damages guideposts are applicable in the context of statutory damages. Due process prohibits excessive punitive damages because “elementary notions of fairness enshrined in our constitutional jurisprudence dictate that a person receive fair notice not only of the conduct that will subject him to punishment, but also of the severity of the penalty that a State may impose.” This concern about fair notice does not apply to statutory damages, because those damages are identified and constrained by the authorizing statute. The guideposts themselves, moreover, would be nonsensical if applied to statutory damages. It makes no sense to consider the disparity between “actual harm” and an award of statutory damages when statutory damages are designed precisely for instances where actual harm is difficult or impossible to calculate. Nor could a reviewing court consider the difference between an award of statutory damages and the “civil penalties authorized,” because statutory damages *are* the civil penalties authorized.

Applying the *Williams* standard, we conclude that an award of \$9,250 per each of twenty-four works is not “so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable.” Congress, exercising its wide latitude of discretion,” set a statutory damages range for willful copyright infringement of \$750 to \$150,000 per infringed work. 17 U.S.C. § 504(c). The award here is toward the lower end of this broad range. As in *Williams*, “the interests of the public, the numberless opportunities for committing the offense, and the need for securing uniform adherence to [federal law]” support the constitutionality of the award.

Congress’s protection of copyrights is not a “special private benefit,” but is meant to achieve an important public interest: “to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired.” *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). With the rapid advancement of technology, copyright infringement through online file-sharing has become a serious problem in the recording industry. Evidence at trial showed that revenues across the industry decreased by fifty percent between 1999 and 2006, a decline that the record companies attributed to piracy. This decline in revenue caused a corresponding drop in industry jobs and a reduction in the number of artists represented and albums released.

Congress no doubt was aware of the serious problem posed by online copyright infringement, and the numberless opportunities for committing the offense, when it last revisited the Copyright Act in 1999. To provide a deterrent against such infringement, Congress amended § 504(c) to increase the minimum per-

work award from \$500 to \$750, the maximum per-work award from \$20,000 to \$30,000, and the maximum per-work award for willful infringement from \$100,000 to \$150,000.

Thomas–Rasset contends that the range of statutory damages established by § 504(c) reflects only a congressional judgment “at a very general level,” but that courts have authority to declare it “severe and oppressive” and “wholly disproportionate” in particular cases. The district court similarly emphasized that Thomas–Rasset was “not a business acting for profit, but rather an individual consumer illegally seeking free access to music for her own use.” By its terms, however, the statute plainly encompasses infringers who act without a profit motive, and the statute already provides for a broad range of damages that allows courts and juries to calibrate the award based on the nature of the violation.

In holding that any award over \$2,250 per work would violate the Constitution, the district court effectively imposed a treble damages limit on the \$750 minimum statutory damages award. The district court based this holding on a “broad legal practice of establishing a treble award as the upper limit permitted to address willful or particularly damaging behavior.” Any “broad legal practice” of treble damages for statutory violations, however, does not control whether an award of statutory damages is within the limits prescribed by the Constitution. The limits of treble damages to which the district court referred, such as in the antitrust laws or other intellectual property laws, represent congressional judgments about the appropriate maximum in a given context. They do not establish a *constitutional* rule that can be substituted for a different congressional judgment in the area of copyright infringement. Although the United States seems to think that the district court’s ruling did not question the constitutionality of the statutory damages statute, the district court’s approach in our view would make the statute unconstitutional as applied to a significant category of copyright infringers. The evidence against Thomas–Rasset demonstrated an aggravated case of willful infringement by an individual consumer who acted to download and distribute copyrighted recordings without profit motive. If an award near the bottom of the statutory range is unconstitutional as applied to her infringement of twenty-four works, then it would be the rare case of noncommercial infringement to which the statute could be applied.

Thomas–Rasset’s cross-appeal goes so far as to argue that *any* award of statutory damages would be unconstitutional, because even the minimum damages award of \$750 per violation would be “wholly disproportionate to the offense” and thus unconstitutional. This is so, Thomas–Rasset argues, because the damages award is not based on any evidence of harm caused by her specific infringement, but rather reflects the harm caused by file-sharing in general. The district court similarly concluded that “statutory damages must still bear *some* relation to actual damages.” The Supreme Court in *Williams*, however, disagreed that the constitutional inquiry calls for a comparison of an award of statutory damages to actual damages caused by the violation. Because the damages award is imposed as a punishment for the violation of a public law, the Legislature may adjust its amount to the public wrong rather than the private injury, just as if it were going to the state. The protection of copyrights is a vindication of the public interest, and statutory damages are by definition a substitute for unproven or unprovable actual damages. For copyright infringement, moreover, statutory damages are designed to discourage wrongful conduct, in addition to providing restitution of profit and reparation for injury.

Thomas–Rasset highlights that if the recording companies had sued her based on infringement of 1,000 copyrighted recordings instead of the twenty-four recordings that they selected, then an award of \$9,250 per song would have resulted in a total award of \$9,250,000. Because that hypothetical award would be

obviously excessive and unreasonable, she reasons, an award of \$222,000 based on the same amount per song must likewise be invalid. Whatever the constitutionality of the hypothetical award, we disagree that the validity of the lesser amount sought here depends on whether the Due Process Clause would permit the extrapolated award that she posits. The absolute amount of the award, not just the amount per violation, is relevant to whether the award is so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable. The recording companies here opted to sue over twenty-four recordings. If they had sued over 1,000 recordings, then a finder of fact may well have considered the number of recordings and the proportionality of the total award as factors in determining where within the range to assess the statutory damages. If and when a jury returns a multi-million dollar award for noncommercial online copyright infringement, then there will be time enough to consider it.

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## Check Your Understanding – *Capitol Records*

**Question 1.** True or false: A court is not permitted to enter an injunction against a copyright infringer that encompasses conduct that by itself does not violate any rights under the Copyright Act and is otherwise lawful.



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-139>

**Question 2.** Which of the following limits the discretion of a district court in determining the amount of statutory damages to award in a case in which liability for copyright infringement has been established?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-140>

Some things to consider when reading *Am. Soc’y for Testing & Materials*:

1. The bulk of this decision appeared earlier in the fair use section of this casebook. The following excerpt addresses the issuance of injunctions.
2. Note the importance of equitable considerations in determining whether an injunction is warranted, and if warranted, the appropriate scope of that injunction.

*Am. Soc’y for Testing & Materials v. Public.Resource.Org, Inc.*

82 F.4th 1262 (D.C. Cir. 2023)

Katsas, Circuit Judge.

...

III

Finally, the plaintiffs contend that the district court abused its discretion by refusing to enjoin Public Resource after finding that it had infringed the copyrights for the 32 standards not incorporated by reference into law. We disagree.

The Copyright Act provides that a district court “may ... grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement.” 17 U.S.C. § 502(a). Such language gives the court “considerable discretion” in deciding whether to issue an injunction. *Roche Prods., Inc. v. Bolar Pharm. Co.*, 733 F.2d 858, 865 (Fed. Cir. 1984) (interpreting analogous language in the Patent Act). Thus, the Supreme Court has “consistently rejected invitations to replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed.” *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 392–93 (2006).

One important equitable consideration is whether the defendant “has ceased its infringing conduct and shows no inclination to repeat the offense.” *Reader’s Digest Ass’n v. Conservative Digest, Inc.*, 821 F.2d 800, 807 (D.C. Cir. 1987). If so, a court may decline to enter an injunction. See *id.* (defendants had ceased infringing trade dress, and district court “had ample reason to find that they did not intend to infringe again”); *Harolds Stores, Inc. v. Dillard Dep’t Stores, Inc.*, 82 F.3d 1533, 1555 (10th Cir. 1996) (“When there is no probability or threat of continuing infringements, injunctive relief is ordinarily inappropriate.” (citing 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 14.06[B] (1995))).

Here, the district court reasonably declined to enter an injunction. Public Resource promptly removed from its website the 32 standards found not to have been incorporated into law. Moreover, the district court found that Public Resource intends “to only post documents that have been incorporated into law,” and the plaintiffs do not challenge this finding as clearly erroneous. Nor do they point to any instance where Public Resource intentionally posted a standard knowing that it had not been incorporated. So, an injunction is unlikely to serve any useful purpose. And as the district court explained, the public would be greatly disserved by an injunction barring distribution of any of the 32 standards which may later be incorporated by reference into law.

The plaintiffs object that Public Resource has continued to post additional standards since this lawsuit began. This misses the point—what Public Resource intends to continue is its permissible practice of posting incorporated standards for educational purposes. The plaintiffs also cite cases where a defendant ceased infringement after being “caught red-handed” yet would likely attempt future infringement if the threat of punishment disappeared. *Walt Disney Co. v. Powell*, 897 F.2d 565, 568 (D.C. Cir. 1990). But as noted above, the

plaintiffs give us no reason to think that Public Resource will post unincorporated standards again absent an injunction.

For these reasons, the district court reasonably exercised its discretion in declining to award injunctive relief.

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## Check Your Understanding – *Am. Soc’y for Testing & Materials*

**Question 1.** Under what circumstances is it appropriate for a court to decline to enter an injunction in a case in which liability for copyright infringement has been established?



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<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-141>

Some things to consider when reading *Columbia Pictures*:

1. This decision appears in the section of this casebook pertaining to the distribution right and first sale doctrine. The following excerpt addresses the court’s decision to award statutory damages.
2. Note the discretion afforded judges in determining the amount of statutory damages to assess.

### *Columbia Pictures Indus., Inc. v. Garcia*

996 F. Supp. 770 (N.D. Ill. 1998)

ASPEN, Chief Judge.

...

#### **B. Damages**

The plaintiffs have elected, as is their right, to receive statutory damages in accordance with 17 U.S.C. § 504(a)(2) and (c)(1). This entitles them to recover between \$500 and \$20,000 for each infringement, and in an effort to avoid creating material issues of fact on willfulness, the plaintiffs asked for the \$500 minimum for the purposes of this motion. Garcia responds that his infringement was innocent, an assertion which he believes creates a genuine issue of material fact since 17 U.S.C. § 504(c)(2) gives us discretion to reduce the infringement award to \$200 per infringement where “the infringer was not aware and had no reason to

believe that his or her acts constituted an infringement of copyright.” In support, Garcia swears that he did not personally duplicate the tapes (and that he did not have the equipment necessary to do so) and that he bought them from third parties.

Section 504(c)(2) makes the reduction of the statutory damages entirely discretionary, and even if Garcia could “sustain the burden of proving” that his infringement was innocent, we would decline to reduce the damages. Garcia possessed a large number of unauthorized copies (133) of a large number of movies (102), a fact which we believe belies his innocent infringer claim. In addition, the plaintiffs have presented substantial evidence that unauthorized videotapes are easily distinguishable from authorized videotapes, and as the proprietor of a video rental business, Garcia should have recognized (if he did not actually know) that his tapes were fakes. In short, Garcia cannot persuade us to reduce his damages. He infringed the copyrights of 102 movies, and we grant the plaintiffs their requested damages: \$500 per infringement, for a total of \$51,000.

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## Check Your Understanding – *Columbia Pictures*

**Question 1.** True or false: The maximum amount of statutory damages in a case involving innocent infringement is \$200 per infringed work?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-142>

Some things to consider when reading *EMI Christian Music Grp.*:

1. This decision appeared earlier in the DMCA safe harbor section of this casebook. The following excerpts address statutory damages.
2. The questions for the court are whether to (1) allow only one award of statutory damages where the copyrights to the sound recording and to the musical composition are owned by separate plaintiffs, and (2) allow separate statutory damages awards for songs that issued as singles, even if those songs were also made available on albums.

## *EMI Christian Music Grp., Inc. v. MP3tunes, LLC*

844 F.3d 79 (2d Cir. 2016)

LOHIER, Circuit Judge:

...

### **C. Statutory Damages**

The plaintiffs also challenge the District Court’s decision to allow only one award of statutory damages where the copyrights to the sound recording and to the musical composition are owned by separate plaintiffs. Section 504(c) of Title 17 provides that a “copyright owner may elect ... to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work” in an amount of up to \$30,000 if the infringer acted innocently or of up to \$150,000 if the infringer acted willfully. For the purposes of § 504(c), all the parts of a compilation or derivative work constitute one work. A derivative work is “a work based upon one or more preexisting works, such as a ... sound recording.” 17 U.S.C. § 101. If “there are several different versions of plaintiff’s work, each of which commands a separate copyright,” but “the defendant’s work incorporates material covered by each of those copyrights,” the Copyright Act “provides for but a single statutory damages award.” 5 Nimmer on Copyright § 14.04[E][1][b].

As noted, the District Court held that the plaintiffs could recover only one statutory damages award for a musical composition and its corresponding sound recording, even where the composition and the recording were owned by separate plaintiffs. In doing so, it agreed with those district courts that have concluded that infringement of a musical composition and its corresponding sound recording entitles a plaintiff to only one statutory damages award. Other courts, meanwhile, have explained that multiple statutory damages can be awarded when the copyrights to the sound recording and the musical composition are owned by different plaintiffs.

A plain reading of the Copyright Act’s text supports the District Court’s conclusion. See *Patry on Copyright* § 22:186 (“Sound recordings are defined in section 101 as a species of derivative work of the underlying musical composition, and, as such, both fall within the one work, one award rule for statutory damages that only award[s] for infringement of both works ... regardless of whether there are different owners.”).

Both the House Report and the Senate Report accompanying the Copyright Act reinforce this point:

Subsection (c)(1) [of 17 U.S.C. § 504] makes clear ... that, although they are regarded as independent works for other purposes, “all the parts of a compilation or derivative work constitute one work” for th[e] purpose [of assessing statutory damages]. Moreover, although the minimum and maximum amounts are to be multiplied where multiple “works” are involved in the suit, the same is not true with respect to multiple copyrights, multiple owners, multiple exclusive rights, or multiple registrations. This point is especially important since, under a scheme of divisible copyright, it is possible to have the rights of a number of owners of separate “copyrights” in a single “work” infringed by one act of a defendant.

In our view, then, Congress did not intend for separate statutory damages awards for derivative works such as sound recordings, even when the copyright owner of the sound recording differs from the copyright owner of the musical composition.

In sum, the District Court's decision to permit only one award of statutory damages for the musical composition and corresponding sound recording comports with both the plain text and the legislative history of the Copyright Act. We therefore affirm that part of the judgment.

...

*[Editor's note: One of the defendants (Robertson) also challenged the District Court's award of statutory damages.]*

### **i. Statutory Damages**

Robertson claims that the District Court's award of multiple statutory damages for music singles and the albums on which they appear was error. As previously noted, statutory damages are awarded for infringement of each copyrighted "work." 17 U.S.C. § 504(c). Several of the songs relevant to the trial were issued both as singles and as part of albums. The District Court instructed the jury that, so long as the plaintiffs proved that "on the date of infringement, each individual sound recording at issue in this case was available for purchase as a single," it could issue multiple statutory damages awards for singles that appeared on the same album. The jury found that each song was available for purchase as a single on the date of infringement.

Materials that are sold as part of a compilation, such as songs on an album, ordinarily are not deemed separate works for the purpose of determining statutory damages. But when a copyright holder or publisher issues material on an independent basis, the law permits a statutory damages award for each individual work. See *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1381 (2d Cir. 1993). In other words, our focus is on whether the plaintiff—the copyright holder—issued its works separately, or together as a unit. For these reasons, we conclude that the District Court properly allowed separate statutory damages awards for songs that the plaintiffs issued as singles, even if those songs were also made available on albums.

And there was evidence at trial that all the songs in question *were* made available as singles on the date of infringement. For example, an EMI and Capitol Records executive testified that, with the exception of tracks by Bob Seger and the Beatles, as well as one track by Pink Floyd, EMI's entire catalog was available for download and sale as singles, and that this amounted to "95 to 98 percent of our total catalogue available." Based on this and other evidence, the District Court did not err in upholding the jury's verdict of statutory damages.

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## Check Your Understanding – *EMI Christian Music Grp.*

**Question 1.** True or false: In a case in which copyrights to a musical composition and its corresponding sound recording are owned by separate plaintiffs, only one award of statutory damages is allowed.



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-143>

Some things to consider when reading *Ventura Content*:

1. This decision appeared earlier in the DMCA safe harbor section of this book. The following excerpt addresses an award of attorney's fees.

### *Ventura Content, Ltd. v. Motherless, Inc.*

885 F.3d 597 (9th Cir. 2018)

KLEINFELD, Senior Circuit Judge:

...

The district court did not abuse its discretion by denying an award of attorney's fees to Motherless. Among the factors bearing on the exercise of discretion are "(1) the degree of success obtained; (2) frivolousness; (3) motivation; (4) the objective unreasonableness of the losing party's legal and factual arguments; and (5) the need, in particular circumstances, to advance considerations of compensation and deterrence."<sup>6</sup>

The district court noted that Ventura's claim was neither objectively unreasonable nor frivolous because prior Ninth Circuit precedent had not directly addressed several arguments that Ventura raised. Ventura's motivation was not improper, nor was there a need to deter the claims that Ventura made. It had, after all, been the victim of copyright infringement and sued parties that played a role in the infringement. It was thwarted only because of the complexities of the safe harbor rules that had not yet been fully explicated in the case law.

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Some things to consider when reading *Glacier Films*:

1. The court's discussion of copyright trolls and the proliferation of peer-to-peer internet piracy suits.
2. The Ninth Circuit's admonishment of the district court for basing its denial of attorney's fees on its

view of BitTorrent litigation in general and the conduct of the plaintiff's counsel in other suits, rather than the plaintiff's case against this particular defendant.

3. The so-called “Fogerty factors,” which guide the court’s discretion in determining whether to award attorney’s fees, originated in *Fogerty v. Fantasy, Inc.*, a 1994 Supreme Court decision. The *Fogerty* factors afford courts wide latitude to award attorney’s fees based on the totality of circumstances in a case.

## *Glacier Films (USA), Inc. v. Turchin*

896 F.3d 1033 (9th Cir. 2018)

McKEOWN, Circuit Judge:

This appeal stems from one of the many copyright infringement lawsuits filed against individuals who unlawfully download and distribute movies online. As digital pirates increasingly use BitTorrent and other peer-to-peer networks to share media, copyright holders have pressed the courts for recourse. These suits are not without controversy: many involve “copyright trolls” who buy up copyrights to adult films and then sue masses of unknown BitTorrent users for illegally downloading pornography.<sup>7</sup> This one is different: a film production company sued a single user who illegally downloaded and distributed repeatedly *American Heist*, a Hollywood action movie.

An important remedy under the Copyright Act provides that courts “may” award attorney’s fees to a prevailing party in an infringement action. In *Fogerty v. Fantasy, Inc.*, 510 U.S. 517 (1994), the Supreme Court laid out factors to guide discretion in whether to award fees. Because the district court did not faithfully apply the “Fogerty factors” in this meritorious BitTorrent action, we reverse and remand for consideration of an award of reasonable attorney’s fees. The court’s denial of fees under the present circumstances—based on a one-size-fits-all disapproval of other BitTorrent suits—requires a remand.

### **BACKGROUND**

For context, we discuss the proliferation of peer-to-peer Internet piracy suits before clicking through to the specifics of this case.

### **PEER-TO-PEER INTERNET PIRACY SUITS**

Peer-to-peer networking involves a decentralized infrastructure whereby each participant in the network ... acts as both a supplier and consumer of information resources. In other words, “peers” download content from fellow peers, while leaving their own folders of digital content available for others to download. One type of peer-to-peer networking involves the BitTorrent protocol, in which a file is broken up into smaller pieces from various peers and then reassembled upon completion of a download. With BitTorrent, each user is both downloading and uploading several different pieces of a file from and to multiple other users. Peer-to-peer networks like BitTorrent are ideally suited for sharing large files, a feature that has led to their adoption by, among others, those wanting access to pirated media, including music, movies, and television shows.

Digital piracy of copyrighted materials on peer-to-peer networks can have severe financial consequences for copyright holders. As one member of Congress put it:

Under U.S. law, stealing intellectual property is just that—stealing. It hurts artists, the music industry, the movie industry, and others involved in creative work. And it is unfortunate that the software being used—called “file sharing,” as if it were simply enabling friends to share recipes, is helping create a generation of Americans who don’t see the harm.

*Privacy and Piracy: the Paradox of Illegal File Sharing on Peer-To-Peer Networks and the Impact of Technology on the Entertainment Industry: Hearing Before the S. Comm. on Governmental Affairs, 108th Cong. 10–14 (2003) (statement of Sen. Levin); see also id. at 1–2 (statement of Sen. Boxer) (asserting that “downloading copyrighted works is theft” and “is a real problem”).*

To combat losses from peer-to-peer file sharing, copyright holders have filed a spate of lawsuits against infringers in federal courts across the country.

Facing a “large number of similar peer-to-peer copyright infringement cases,” in March 2016 the United States District Court for the District of Oregon sought a practical solution and established special procedural rules in a “Case Management Order.” Among other things, the Order allows copyright holders to seek limited discovery from an Internet Service Provider to establish a potential infringer’s identity, directs that holders must alert potential defendants of the availability of pro bono counsel to defend against infringement claims, and limits holders to suing one alleged BitTorrent infringer at a time.

### **GLACIER’S LAWSUIT IN OREGON**

Glacier Films (USA), Inc. and Glacier Films 1, LLC (collectively, “Glacier”) hold valid and enforceable copyrights in the film *American Heist*. Scheduled for widespread theatrical release in January 2015, *Heist* instead leaked prematurely on BitTorrent, where it became a top downloaded (i.e., pirated) movie. According to Glacier, over 100,000 Internet Protocol (“IP”) addresses illegally downloaded and exchanged the copyrighted film on BitTorrent.

Tracking one such infringing IP address to Oregon, Glacier brought suit in district court against the John Doe owner and subpoenaed records from Comcast to ascertain the Doe’s identity. Glacier selected that particular IP address because the user distributed the film 80 times and was associated with over 700 other titles. When records revealed Andrey Turchin as the owner of the IP address, Glacier sent two letters seeking his participation in determining who downloaded the movie. After Turchin proved non-responsive, Glacier obtained leave to depose him. At his deposition, Turchin admitted to downloading copyrighted content with that IP address, right up until the day before his deposition.

Glacier amended its complaint to name the avid BitTorrent user as the single defendant and sent Turchin a letter advising him of the district court’s pro bono program so that he could obtain assistance in filing a responsive pleading. After nearly three months of attempting to contact Turchin, Glacier filed a motion for default. The court appointed pro bono counsel filed an answer raising various affirmative defenses, denying liability, and seeking costs and attorney’s fees. On that same day, Turchin provided Glacier with a Rule 68 Offer of Judgment in which Turchin offered to pay \$2,501 to Glacier in exchange for Glacier’s agreement that the sum would satisfy all debts and obligations related to the suit, including any claim for damages, costs

and attorney's fees. A few days later, Turchin filed an amended answer removing five of the seven affirmative defenses, but continuing to deny liability and maintaining his own request for costs and fees.

After conferring, the parties reached a stipulated consent judgment. Per the agreement, Turchin stipulated to the "allegations that give rise to liability for the infringement of [Glacier's] rights" and to \$750 in statutory damages. The court permanently enjoined Turchin from using the Internet to reproduce, copy or publish *American Heist*, and ordered him to immediately delete any unlicensed copies of the movie in his possession. The parties agreed that "any award of reasonable attorneys fees shall be determined by the [c]ourt in accordance with 17 U.S.C. § 505 and pursuant to [Federal Rule of Civil Procedure] 54." Glacier moved for costs of \$791.70 and attorney's fees totaling \$4,833.35. The court awarded costs to Glacier but denied any attorney's fees.

## ANALYSIS

The Copyright Act, coupled with extensive precedent from both the Supreme Court and our court, lay the foundation for our analysis. The statute states simply that the district court "may ... award a reasonable attorney's fee to the prevailing party as part of the costs." 17 U.S.C. § 505. Although the court enjoys wide latitude to award attorney's fees based on the totality of circumstances in a case, its discretion must remain tethered to judicial guideposts.

The Supreme Court in *Fogerty* provided a nonexclusive list of factors for courts to consider in making a fee determination: "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." We have added factors that "may be considered" and "need not all be met": the degree of success obtained in the litigation, the purposes of the Copyright Act, and "whether the chilling effect of attorney's fees may be too great or impose an inequitable burden on an impecunious [litigant]." *Perfect 10, Inc. v. Giganews, Inc.*, 847 F.3d 657, 675 (9th Cir. 2017). We recently re-affirmed our commitment to these factors, but emphasized that district courts should "accord substantial weight to" the "reasonableness of [the] losing party's legal and factual arguments." *Shame On You Prods., Inc. v. Banks*, 893 F.3d 661, 666 (9th Cir. 2018).

### I. THE DISTRICT COURT ABUSED ITS DISCRETION IN APPLYING THE FACTORS

Although the court properly cited all of the Supreme Court and Ninth Circuit factors, it focused on three—"minimal success" in the litigation, the lack of need for further deterrence, and the goals of the Copyright Act. The court's analysis was infused with criticism of *other* BitTorrent cases as well as a critique of Glacier's counsel in *other* file sharing litigation. While we understand that prolific BitTorrent litigation has taxed the courts and that the District of Oregon has adopted a sensible way to manage its dockets, individual cases nonetheless deserve to be judged on their own merits and not saddled with a blanket indictment against peer-to-peer copyright litigation. The sheer volume of suits should not preordain a court's fee determination in any one suit. Nor should an individual client, such as Glacier, be penalized for the tactics of its counsel in other cases.

For these and the more specific reasons explained below, we conclude that the court misapplied the factors on which it focused while omitting analysis of other factors that may counsel toward an award of fees—including the unreasonableness of the losing party's (Turchin's) conduct.

## A. THE DEGREE OF SUCCESS IN THE LITIGATION

The district court noted that Glacier's suit was "not frivolous," but went on to conclude that its success was "minimal." In fact, Glacier's infringement suit against Turchin was a "total success." Glacier alleged that Turchin copied and distributed *American Heist* through a public BitTorrent network without Glacier's permission; Turchin's actions infringed on Glacier's exclusive rights under the Copyright Act; and Turchin's conduct was "willful, intentional, in disregard of and indifferent to [Glacier's] rights with the intent to deprive [Glacier] of income and cause [Glacier] harm." Turchin stipulated to those facts giving rise to liability and to \$750 in statutory damages for violating the Copyright Act. Despite Glacier's complete victory, the district court did not weigh the degree of success in the litigation in Glacier's favor; instead, the court twisted total triumph into a conclusion that "the degree of success in each of these BitTorrent copyright cases is minimal."

The court's reasons for reaching this unexpected outcome lack support in the law and the record. To begin, the court observed that "the \$750 statutory damage award Defendant has agreed to pay is low in relation to the amount of attorney fees Plaintiffs have accrued (\$4,833.45), to achieve that result." This is a flawed premise that mixes and matches actual success with the determination of a reasonable fee award. Actual success in an infringement action involves establishing the defendant's liability. An award of a "reasonable" attorney's fee requires a separate determination of an amount, which may consider the hours worked among other factors.

The court did not cite any precedential authority that a small (and agreed upon) amount of statutory damages is a reflection of "minimal success." To the contrary, we have expressed concern that a small award for damages, without fees, may be insufficient to deter future copyright infringements such as the one at issue here.

The Seventh Circuit has gone so far as to announce a "presumptive entitlement" to fees for a "prevailing party in a copyright case in which the monetary stakes are small." *Gonzales v. Transfer Techs., Inc.*, 301 F.3d 608, 610 (2002). We do not adopt such a presumption because doing so would collide with Supreme Court guidance and is not consistent with the statute. Nevertheless, the policy rationale underlying the presumption—that "willful infringements involving small amounts of money" may not be "adequately deterred" absent an award of fees—is a principle that bears on the calculus of whether to award fees.

As a factual matter, we consider it curious that the district court focused on the \$750 statutory damages amount. In doing so, the district court elided that Turchin offered to pay Glacier \$2,501 in exchange for Glacier's agreeing that the sum would satisfy all debts and obligations related to Glacier's lawsuit, including any claim for damages, costs and attorney's fees. That Glacier's counsel rejected the \$2,501 offer in favor of \$750 in stipulated damages and the opportunity for costs and fees hardly reveals "minimal success" in the litigation; rather, it underscores a belief that Glacier had a strong legal case for costs and fees.

Next, the court reasoned that because *American Heist* had been illegally downloaded over 100,000 times and this suit yielded an injunction against only one infringer, "that result is *de minimis* in relation to the serious online piracy problem Plaintiffs seek to combat." This conclusion makes little sense in light of the district court's Case Management Order, which allows copyright holders to sue only one BitTorrent infringer at a time. Under that Order, an injunction against one infringer is the *best possible result* Glacier could have

achieved in this suit. An assertion that “lots of other people are doing it, too” is not a persuasive equitable principle and does not counsel toward a denial of fees. Instead, we see dissonance between the district court’s citation to the large number of infringers and its conclusion that fees are unnecessary as a deterrent.

## **B. DETERRENCE**

Overall, the district court did not appropriately weigh the interests of deterrence and compensation. The court asserted without support that a “financial penalty” of \$1,500 (consisting of the costs and the agreed statutory damages) “is sufficient to deter [Turchin], as well as others, from illegally downloading movies in the future.” The record belies this contention.

In fact, Turchin continued to use BitTorrent to pirate copyrighted content even after he received notice that he might be at risk of legal penalties—right up until the day before his deposition. Turchin was “associated with” 700 pirated titles, an amount that may be worth more in economic value than \$1,500. An avid BitTorrent user like Turchin may rationally decide that the risk of being caught and sued for \$1,500 is worth the price of admission for access to unlimited media.

Further, the district court identified various BitTorrent cases with stipulated consent judgments of over \$8,000 that settled before Turchin continued to download copyrighted titles. If those larger judgments did not deter Turchin and his peers from using BitTorrent, why would a “penalty” a fraction of that size deter willful infringements in the future? The district court’s assertion does not add up.

We recognize that new technologies have strained application of certain sections of the Copyright Act, but the attorney’s fee provision is not one of them. In fact, in recognition of the ubiquity of file sharing and the need to enhance deterrence, in 1999, Congress increased available statutory damages: raising minimum damages from \$500 to \$750, maximum damages for non-willful infringements from \$20,000 to \$30,000, and maximum damages for willful infringements from \$100,000 to \$150,000. One need look no further than the statutory title to see what Congress had in mind: The Digital Theft Deterrence and Copyright Damages Improvement Act. As one member of Congress stated at the time: “Copyright piracy ... is flourishing in the world. With the advanced technologies available and the fact that many computer users are either ignorant of the copyright laws or simply believe that they will not be caught or punished, the piracy trend will continue” absent increased penalties. By passing the Deterrence Act, Congress specifically acknowledged that consumer-based, noncommercial use of copyrighted materials constituted actionable copyright infringement and contemplated that suits like this were within the Act.

In raising the stakes for unlawful digital file-sharing, however, Congress left the attorney’s-fees provision intact. Given that congressional choice, it is not logical to resolve that statutory damages alone sufficiently deter this species of copyright infringement—while making fees categorically unavailable. If now, almost two decades after the Deterrence Act, copyright trolls and mass filings present a further public policy issue, then Congress should step in. Meanwhile, we must judge each case on its own merits.

## **C. THE GOALS OF THE COPYRIGHT ACT**

The goal of the Copyright Act is “to promote creativity for the public good.” *Fogerty*, 510 U.S. at 524 (“The primary objective of the Copyright Act is to encourage the production of original literary, artistic, and musical expression for the good of the public.”). Inherent in the Act’s purpose is that a copyright holder has

always had the legal authority to bring a traditional infringement suit against one who wrongfully copies. In the Internet Age, such suits have served as a teaching tool, making clear that much file sharing, if done without permission, is unlawful, and apparently have had a real and significant deterrent effect.

This is not a case of the infringer creating something new and incorporating a copyrighted element into that new, creative work. See *Williams v. Gaye*, 885 F.3d 1150, 1177 (9th Cir. 2018) (affirming the denial of fees in an infringement award involving the 2013 Robin Thicke and Pharrell Williams song “Blurred Lines” and the 1977 Marvin Gaye song “Got to Give It Up”). Rather, this case is the digital equivalent of standing outside the neighborhood Redbox—or Blockbuster Video, for fans of history—and giving away copies of the movie for free. Nevertheless, the district court did not analyze whether Turchin’s conduct furthers or frustrates the goals of the Copyright Act.

Nor did the district court find that Glacier acted contrary to those goals in this particular case. Instead, its decision rested on a view that awarding “attorney fees in this case would only contribute to the continued overaggressive assertion and negotiation of” other copyright claims. Apparently, the court saw the fact that Glacier’s counsel had filed 300 copyright actions against BitTorrent infringers as an “overaggressive assertion[ ] of copyright claims,” which counseled toward a denial of fees.

The court based its decision on generalizations about other BitTorrent cases, not on the totality of circumstances in this case. It is revealing that the court observed that another district court had denied fees in a “similar BitTorrent copyright case,” despite the fact that the other case is quite dissimilar. In *Countryman Nevada, LLC v. DOE*, copyright holders “conducted th[e] litigation in a manner calculated to increase the opposing party’s costs.” 193 F.Supp.3d 1174, 1182 (D. Or. 2016). Unlike Turchin, the alleged infringer downloaded the movie by accident, “promptly conduct[ed] an investigation,” admitted liability, and offered to settle without asserting spurious defenses. The copyright holders refused to settle unless the infringer paid \$8,500, even after the infringer claimed financial hardship.

The district court nonetheless lumped the present case together with the worst of “these BitTorrent copyright cases,” even though it shares none of the unsavory characteristics. Here, Glacier did not “demand thousands of dollars to settle a claim ... where the infringing defendant admits early in the case that they illegally downloaded the movie.” The company did not seek a confidential or uncounseled settlement not subject to court approval, or “pursue particularly vulnerable individuals.” Nor is Glacier a quintessential “copyright troll”—a term defined by the district court as an entity “more focused on the business of litigation than on selling a product or service or licensing their [copyrights] to third parties to sell a product or service.” Glacier produced *American Heist*, a Hollywood feature film with a substantial budget and a recognizable cast, including Hayden Christensen, Adrien Brody, and Jordana Brewster. The company prepared the film for widespread North American theatrical release. When that fell through—in part, Glacier contends, because of illegal downloads before the release date—Glacier released the movie on DVD and Blu-Ray and licensed the movie for legal, commercial download on services such as Amazon. Glacier’s production and marketing of artistic content shares little resemblance to entities hiding in the shadows, buying the copyrights to pornographic films (without creating anything), and seeking settlements from crowds of John Does embarrassed that they were “caught” downloading tawdry titles. See *AF Holdings*, 752 F.3d at 992–93 (describing the “modus operandi” of a copyright troll).

#### **D. OBJECTIVE UNREASONABLENESS AND FRIVOLOUSNESS**

District courts do not necessarily need to analyze all of the factors set out in the cases, as those factors are discretionary and non-exclusive. But in misapplying the three factors on which it focused, the court passed over a factor that “carries significant” or “substantial weight.” Notably, the district court never once mentioned the unreasonableness of the losing party’s (Turchin’s) factual and legal position. Instead, the court referred only to the prevailing party’s (Glacier’s) position, confirming that “a copyright holder’s action against an individual BitTorrent copyright infringer is not frivolous under the Copyright Act.”

We emphasize the reasonableness factor because “[w]hen a litigant ... is clearly correct, the likelihood that he will recover fees from the opposing (*i.e.*, unreasonable) party gives him an incentive to litigate the case all the way to the end. The holder of a copyright that has obviously been infringed has good reason to bring and maintain a suit even if the damages at stake are small.” *Kirtsaeng*, 136 S.Ct. at 1986. The Supreme Court’s guidance squarely addresses the present case.

The failure to analyze Turchin’s conduct in the litigation is particularly problematic because his actions added to Glacier’s attorney’s fees. Although an infringer with no reasonable defense has every reason to give in quickly, before each side’s litigation costs mount, Turchin delayed resolution of this case for nearly eight months from when he was first notified of Glacier’s claims. Because Turchin did not respond to letter inquiries, Glacier needed to seek leave to subpoena Turchin for a deposition. There, Turchin admitted to regularly using BitTorrent to download content. Notwithstanding those admissions, Turchin did not file a responsive pleading for almost three months, causing Glacier to file a notice of default in May 2016. Only then did Turchin file an answer.

Despite having previously admitted to regularly using BitTorrent to download media without permission and conceding that he downloaded *American Heist*, Turchin denied liability, sought costs and fees from Glacier, and asserted seven baseless affirmative defenses. For example, Turchin argued that “[a]ny downloading or uploading of the copyrighted work was permitted by the doctrine of fair use” and that the film was not eligible for copyright protection under the doctrine of *scenes a faire*. But, in fact, this was not “a close and difficult case.” *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1181 (9th Cir. 2013). The district court, however, never considered the unreasonableness of Turchin’s positions.

## **II. ON REMAND, THE DISTRICT COURT MUST ASSESS THE SPECIFICS OF THIS CASE**

In sum, based on a generally unfavorable view of other BitTorrent litigation, the district court abused its discretion by denying fees without assessing the particulars of this case. The court’s analysis of whether fees are warranted should be based on Glacier’s case against Turchin—and not on the court’s view of BitTorrent litigation in general or on the conduct of Glacier’s counsel in other suits. To be sure, the unfortunate facts of other BitTorrent cases may well warrant a denial of fees in certain cases. But an approach that furthers the goals of the Copyright Act considers the facts of a given case, weighs the appropriate factors, and makes a fee determination based on the conduct of both parties.

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## Check Your Understanding – *Glacier Films*

**Question 1.** Under what circumstances is it appropriate for a court to award attorney’s fees to a prevailing party in a copyright infringement lawsuit?



An interactive H5P element has been excluded from this version of the text. You can view it online here:

<https://holmancopyright.lawbooks.cali.org/?p=188#h5p-146>

Some things to consider when reading *Cobbler Nevada*:

1. In this decision the Ninth Circuit affirms a district court’s award of attorney’s fees to a defendant sued for copyright infringement.
2. What could the plaintiff have done in this case to avoid the award of attorney’s fees?
3. Do you see any way for the plaintiff to enforce its copyright in the face of this sort of infringement?

### *Cobbler Nevada, LLC v. Gonzales*

901 F.3d 1142 (9th Cir. 2018)

McKEOWN Circuit Judge

In this copyright action, we consider whether a bare allegation that a defendant is the registered subscriber of an Internet Protocol (“IP”) address associated with infringing activity is sufficient to state a claim for direct or contributory infringement. We conclude that it is not.

After tracing infringement of its copyrights to a particular IP address, Cobbler Nevada, LLC filed suit against the John Doe IP address for direct and contributory copyright infringement. Cobbler Nevada soon discovered that the IP address was registered to Thomas Gonzales, who operated an adult foster care home. Cobbler Nevada then amended its complaint to name Gonzales as the sole defendant, alleging that he directly infringed by copying and distributing copyrighted works himself or, in the alternative, contributed to another’s infringement by failing to secure his internet connection.

The district court properly dismissed Cobbler Nevada’s claims. The direct infringement claim fails because Gonzales’s status as the registered subscriber of an infringing IP address, standing alone, does not create a reasonable inference that he is also the infringer. Because multiple devices and individuals may be able to connect via an IP address, simply identifying the IP subscriber solves only part of the puzzle. A plaintiff must allege something more to create a reasonable inference that a subscriber is also an infringer. Nor can Cobbler Nevada succeed on a contributory infringement theory because, without allegations of intentional

encouragement or inducement of infringement, an individual's failure to take affirmative steps is internet connection is insufficient to state a claim.

## BACKGROUND

Cobbler Nevada holds copyrights in the film *The Cobbler*, a magic realism film that features “[a] cobbler, bored of his everyday life, [who] stumbles upon a magical heirloom that allows him to become other people...” *The Cobbler*, IMDB, <https://www.imdb.com/title/tt3203616/> (last visited July 26, 2018). Like a number of major motion pictures scheduled for theatrical release, *The Cobbler* has been the subject of unauthorized downloading and distribution (i.e., pirating) through BitTorrent networks. See generally *Glacier Films (USA), Inc. v. Turchin*, 896 F.3d 1033, 1035–36 (9th Cir. 2018) (providing background on piracy via peer-to-peer BitTorrent networks). According to Cobbler Nevada, there have been over 10,000 instances of infringing activity of *The Cobbler* traced to Oregon alone.

Cobbler Nevada identified an IP address located in Portland, Oregon, that had downloaded and distributed *The Cobbler* multiple times without authorization. Cobbler Nevada filed suit against the unknown holder of the IP address—named in the complaint as Doe-24.21.136.125—for direct and contributory copyright infringement. Records subpoenaed from Comcast identified Thomas Gonzales as the subscriber of the internet service associated with the IP address.

After several attempts to reach Gonzales, Cobbler Nevada’s counsel finally connected with Gonzales via telephone. Once counsel learned that the internet service was accessible to both residents and visitors at an adult care home, he concluded that “it does not appear that [Gonzales] is a regular occupant of the residence or the likely infringer.” Due to confidentiality concerns, Gonzales refused to share the names or work schedules of the individuals living and working in the home without a court order. Although the district court granted leave to depose Gonzales, the deposition revealed no new information regarding the identity of the actual infringer.

Nevertheless, Cobbler Nevada filed a First Amended Complaint and named Gonzales as the sole defendant. Cobbler Nevada alleged that Gonzales “copied and distributed” *The Cobbler* or, in the alternative, “facilitated and promoted the use of the internet for the infringing of [Cobbler Nevada’s] exclusive rights under the Copyright Act” by failing to “reasonably secure, police and protect” the use of his internet service. Cobbler Nevada also claimed that Gonzales “ha[d] been sent over 400 notices of infringing activity,” yet “failed and refused to take any action whatsoever and either continued to infringe by using BitTorrent to download and distribute copyrighted content or continued to allow infringing activity after such notices.”

The only facts in support of Cobbler Nevada’s direct infringement claim were that Gonzales was “the subscriber of the IP address used to download or distribute the movie, and that he was sent notices of infringing activity to which he did not respond.” Relying on the magistrate judge’s reasoning that these allegations were “not enough” to state a claim because there were no facts connecting Gonzales to the infringing activity, the district court dismissed the direct infringement claim without prejudice.

The district court also dismissed the contributory infringement claim, which rested on the theory that Gonzales failed to stop infringement by others after being notified of such infringement. The court wrote that liability arises by “actively encouraging ... infringement through specific acts,” and not by mere failure to take affirmative steps to prevent infringement. Cobbler Nevada’s failure to allege that Gonzales “promoted,

encouraged, enticed, persuaded, or induced another to infringe any copyright, let alone [Cobbler Nevada's] copyright," sunk the claim.

The district court gave Cobbler Nevada three weeks to file an amended complaint. Instead of amending its claims against Gonzales, Cobbler Nevada filed a Second Amended Complaint in which, once again, it named the Doe IP address as the sole defendant. No new factual allegations were added. The magistrate judge ordered Cobbler Nevada to show cause why the Second Amended Complaint should not be dismissed for failure to cure the deficiencies identified in the court's dismissal of the First Amended Complaint, or for failure to identify the unknown party in a timely manner pursuant to Federal Rule of Civil Procedure 4(m). Less than a week later, Cobbler Nevada filed a notice of voluntary dismissal.

Gonzales then filed a motion requesting entry of judgment dismissing the case and for attorney's fees for the contributory infringement claim. The district court granted the motion and awarded Gonzales attorney's fees of \$17,222.40 and costs of \$252.20.

## ANALYSIS

### **I. The District Court Properly Dismissed Cobbler Nevada's Direct Infringement Claim Without Prejudice**

Although copyright owners can often trace infringement of copyrighted material to an IP address, it is not always easy to pinpoint the particular individual or device engaged in the infringement. Internet providers, such as Comcast or AT & T, can go so far as to identify the individual who is registered to a particular IP address (i.e., an account holder) and the physical address associated with the account, but that connection does not mean that the internet subscriber is also the infringer. The reasons are obvious—simply establishing an account does not mean the subscriber is even accessing the internet, and multiple devices can access the internet under the same IP address. Identifying an infringer becomes even more difficult in instances like this one, where numerous people live in and visit a facility that uses the same internet service. While we recognize this obstacle to naming the correct defendant, this complication does not change the plaintiff's burden to plead factual allegations that create a reasonable inference that the defendant is the infringer.

The only connection between Gonzales and the infringement was that he was the registered internet subscriber and that he was sent infringement notices. To establish a claim of copyright infringement, Cobbler Nevada "must show that [it] owns the copyright and that the defendant himself violated one or more of the plaintiff's exclusive rights under the Copyright Act." *Ellison v. Robertson*, 357 F.3d 1072, 1076 (9th Cir. 2004). Cobbler Nevada has not done so.

### **II. The District Court Properly Dismissed Cobbler Nevada's Contributory Infringement Claim With Prejudice**

A claim for contributory infringement requires allegations that the defendant is "one who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another." *Fonovisa v. Cherry Auction, Inc.*, 76 F.3d 259, 264 (9th Cir. 1996). Cobbler Nevada's contributory infringement claim is premised on a bare allegation that Gonzales failed to police his internet service. This perfunctory allegation, without more, does not sufficiently link Gonzales to the alleged infringement.

At the outset, we recognize that Gonzales's position—a subscriber to internet service—does not fit cleanly within our typical contributory liability framework, which often involves consumer-facing internet platforms. Nevertheless, it is no leap to apply the framework of similar technology-based cases to our analysis of Gonzales's liability.

In *Sony Corp. of America v. Universal City Studios, Inc.*, the Supreme Court held that liability for another's infringement cannot arise from the mere distribution of a product that is “widely used for legitimate, [non-infringing] purposes.” The Court later refined the standard for liability, holding 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.” *Grokster*, 545 U.S. at 919. In essence, the limitation of liability in *Sony*—premised on a refusal to impute intent to a defendant based solely on knowledge that a product might be used for infringement—does not apply “where evidence ... shows statements or actions directed to promoting infringement.” The Court was clear, however, that “in the absence of other evidence of intent, a court would be unable to find contributory infringement liability merely based on a failure to take affirmative steps to prevent infringement, if the device otherwise was capable of substantial noninfringing uses.”

Although circuit courts approach contributory liability through varying lenses, our circuit has identified two strands of liability following *Sony* and *Grokster*: “actively encouraging (or inducing) infringement through specific acts” or “distributing a product distributees use to infringe copyrights, if the product is not capable of ‘substantial’ or ‘commercially significant’ noninfringing uses.”

Turning to the first strand, Cobbler Nevada's complaint lacks any allegations that Gonzales “actively encouraged or induced infringement through specific acts.” Because a “failure to take affirmative steps to prevent infringement” alone cannot trigger liability, *Grokster*, 545 U.S. at 939 n.12, Cobbler Nevada failed to “state a claim to relief that is plausible on its face,” *Iqbal*, 556 U.S. at 678 (quoting *Twombly*, 550 U.S. at 570).

Nor does the second strand implicate Gonzales. Providing internet access can hardly be said to be distributing a product or service that is not “capable of substantial” or “commercially significant noninfringing uses.”

We note that Cobbler Nevada's theory both strays from precedent and effectively creates an affirmative duty for private internet subscribers to actively monitor their internet service for infringement. Imposing such a duty would put at risk any purchaser of internet service who shares access with a family member or roommate, or who is not technologically savvy enough to secure the connection to block access by a frugal neighbor. This situation hardly seems to be one of “the circumstances in which it is just to hold one individual accountable for the actions of another.”

### **III. The District Court Did Not Abuse its Discretion By Awarding Attorney's Fees**

The Copyright Act states that the district court “may ... award a reasonable attorney's fee to the prevailing party as part of the costs...” 17 U.S.C. § 505. Gonzales is the “prevailing party” because Cobbler Nevada's contributory infringement claim was dismissed with prejudice. In awarding fees to Gonzales, the district court acted within its discretion.

The court enjoys wide latitude to award attorney's fees based on the totality of circumstances in a case,

though “its discretion must remain tethered to judicial guideposts.” *Glacier Films*, 896 F.3d at 1037 (quoting *Kirtsaeng v. John Wiley & Sons, Inc.*, 136 S.Ct. 1979, 1985 (2016) ). To guide the district court’s discretion, the Supreme Court and our court have provided a “nonexclusive” list of factors for courts to consider in making a fee determination. *Id.*; see also *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994).

The district court properly applied the Supreme Court’s “Fogerty factors” to the particulars of this case. To begin, the court focused on the objective unreasonableness of the losing party’s litigating position, a factor that carries “substantial weight.” Specifically, the court flagged as unreasonable Cobbler Nevada’s decision to name Gonzales as the defendant, even after concluding that Gonzales was not “a regular occupant of the residence or a likely infringer.” The court also considered deterrence: it reasoned that awarding fees would deter Cobbler Nevada from an “overaggressive pursuit of alleged infringers without a reasonable factual basis” while encouraging defendants with valid defenses to defend their rights. See *Fogerty*, 510 U.S. at 534 n.19. The court’s rationale is in keeping with the purposes of the Copyright Act.

On the whole, the district court considered the facts of this case, weighed the appropriate factors, and made a fee determination based on the conduct of both parties. We thus uphold the fee determination.

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## Check Your Understanding – *Cobbler Nevada*

**Question 1.** “Deterrence” is one of the Fogerty factors courts consider when exercising their discretion in the award of attorney’s fees in copyright cases. What exactly is an award of attorney’s fees intended to “deter”?



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### FOOTNOTES:

<sup>1</sup> This summarized version of the facts is taken from *Frank Music Corp. v. Metro-Goldwyn-Mayer Inc.*, 886 F.2d 1545 (9th Cir. 1989) (*Frank Music II*), which appears later in this casebook.

<sup>2</sup> Applicable here since the actions complained of all occurred prior to January 1, 1978. See Copyright Revision Act of 1976, Pub.L. No. 94–533, § 112, 90 Stat. 2541, 2600; *Kamar International, Inc. v. Russ Berrie & Co.*, 752 F.2d 1326, 1329 (9th Cir.1984). The citations to the Copyright Act contained in this opinion are to the 1909 Act, unless otherwise indicated.

[3](#) Under the current Copyright Act, 17 U.S.C. § 504, a prevailing plaintiff is entitled to recover both actual damages and “any profits of the infringer that are attributable to the infringement and *are not taken into account in computing the actual damages.*” (emphasis added)

[4](#) Some of the still photographs for *The Wizard of Oz* and a few of the movie posters for the Tom & Jerry films complied with copyright notice provisions, but those copyrights were not timely renewed.

[5](#) Editor’s note: *Capitol Records, Inc. v. Thomas–Rasset* appears later in this casebook.

[6](#) *Seltzer v. Green Day, Inc.*, 725 F.3d 1170, 1180–81 (9th Cir. 2013) (citing *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994)).

[7](#) See, e.g., *AF Holdings, LLC v. Does 1–1058*, 752 F.3d 990, 992 (D.C. Cir. 2014); *In re BitTorrent Adult Film Copyright Infringement Cases*, 296 F.R.D. 80, 82 (E.D.N.Y. 2012).

# Chapter 14: Generative Artificial Intelligence

One of the most widely used generative artificial intelligence (AI) products is ChatGPT.<sup>1</sup> When prompted with the query of “what is artificial intelligence,” ChatGPT responded:

Artificial Intelligence (AI) is a branch of computer science focused on creating systems and machines capable of performing tasks that typically require human intelligence. These tasks include understanding language, recognizing patterns, solving problems, learning from experience, and making decisions.

This response comports with this author’s understanding of the term. When prompted with the query of “what is generative AI,” ChatGPT provided the following response, which again comports with this author’s understanding:

Generative AI refers to a type of artificial intelligence that can generate new content, such as text, images, audio, video, and other data, based on patterns it has learned from existing data. It leverages advanced machine learning techniques, particularly neural networks, to understand and mimic the style, structure, and context of the input data.

Rapid and widely publicized advances in generative AI are raising a host of legal questions, including in the area of copyright law. Two of the fundamental questions are (1) to what extent are works that have been generated by AI, either entirely or with some substantial human involvement, eligible for copyright protection; and (2) to what extent are the creators and users of AI models liable for copyright infringement (either directly or secondarily), particularly when the AI model has been trained with copyrighted materials without the authorization of the copyright owners, for example by “scraping” the web. We are still in the very early days of trying to sort out the copyright issues raised by AI, but we are starting to see some decisions. This section of the casebook presents four such decisions, the first two having to do with questions of copyrightability, and the second two with infringement, including some analysis of the fair use defense.

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Some things to consider when reading *Thaler*:

1. In this case, a federal court affirms a decision by the Copyright Office not to register a work that the applicant for registration characterized as being “generated entirely by an artificial system absent human involvement” based on its holding that “human authorship is an essential part of a valid copyright claim.”
2. Note the court’s use of precedent, including Supreme Court decisions that appeared earlier in this casebook, i.e., *Burrow-Giles Lithographic Co. v. Sarony* and *Mazer v. Stein*, to arrive at its conclusion that only a human can be an author. The court also invokes textual and policy-based arguments in reaching its conclusion that human authorship is required for copyright.
3. The plaintiff attempted to change its argument during the course of the appeal, first maintaining that the work was entirely AI-generated, and then flip-flopping and attempting to argue that he played a

- controlling role in generating the work. The court properly declined to entertain these new arguments that were inconsistent with the plaintiff's representations before the Copyright Office Review Board.
4. Consider the policy implications if every output of a "Creativity Machine" was granted a copyright.

## *Thaler v. Perlmutter*

687 F. Supp. 3d 140 (D.D.C. 2023)

BERYL A. HOWELL, United States District Judge

Plaintiff Stephen Thaler owns a computer system he calls the "Creativity Machine," which he claims generated a piece of visual art of its own accord. He sought to register the work for a copyright, listing the computer system as the author and explaining that the copyright should transfer to him as the owner of the machine. The Copyright Office denied the application on the grounds that the work lacked human authorship, a prerequisite for a valid copyright to issue, in the view of the Register of Copyrights. Plaintiff challenged that denial, culminating in this lawsuit against the United States Copyright Office and Shira Perlmutter, in her official capacity as the Register of Copyrights and the Director of the United States Copyright Office ("defendants"). Both parties have now moved for summary judgment, which motions present the sole issue of whether a work generated entirely by an artificial system absent human involvement should be eligible for copyright. For the reasons explained below, defendants are correct that human authorship is an essential part of a valid copyright claim, and therefore plaintiff's pending motion for summary judgment is denied and defendants' pending cross-motion for summary judgment is granted.

### **I. BACKGROUND**

Plaintiff develops and owns computer programs he describes as having "artificial intelligence" ("AI") capable of generating original pieces of visual art, akin to the output of a human artist. One such AI system—the so-called "Creativity Machine"—produced the work at issue here, titled "A Recent Entrance to Paradise."





After its creation, plaintiff attempted to register this work with the Copyright Office. In his application, he identified the author as the Creativity Machine, and explained the work had been “autonomously created by a computer algorithm running on a machine,” but that plaintiff sought to claim the copyright of the “computer-generated work” himself “as a work-for-hire to the owner of the Creativity Machine.” The Copyright Office denied the application on the basis that the work “lack[ed] the human authorship necessary to support a copyright claim,” noting that copyright law only extends to works created by human beings.

Plaintiff requested reconsideration of his application, confirming that the work “was autonomously generated by an AI” and “lack[ed] traditional human authorship,” but contesting the Copyright Office’s human authorship requirement and urging that AI should be “acknowledge[d] ... as an author where it otherwise meets authorship criteria, with any copyright ownership vesting in the AI’s owner.” Again, the Copyright Office refused to register the work, reiterating its original rationale that “[b]ecause copyright law is limited to ‘original intellectual conceptions of the author,’ the Office will refuse to register a claim if it determines that a human being did not create the work.” *Copyright Office Refusal Letter Dated March 30, 2020 (“Second Refusal Letter”)* at 1, ECF No. 13-6 (quoting *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53 (1884) and citing 17 U.S.C. § 102(a); U.S. Copyright Office, *Compendium of U.S. Copyright Office Practices* § 306 (3d ed. 2017)). Plaintiff made a second request for reconsideration along the same lines as his first, and the Copyright Office Review Board affirmed the denial of registration, agreeing that copyright protection does not extend to the creations of non-human entities.

Plaintiff timely challenged that decision in this Court, claiming that defendants' denial of copyright registration to the work titled "A Recent Entrance to Paradise," was "arbitrary, capricious, an abuse of discretion and not in accordance with the law, unsupported by substantial evidence, and in excess of Defendants' statutory authority," in violation of the Administrative Procedure Act ("APA"). The parties agree upon the key facts narrated above to focus, in the pending cross-motions for summary judgment, on the sole legal issue of whether a work autonomously generated by an AI system is copyrightable.

### III. DISCUSSION

Under the Copyright Act of 1976, copyright protection attaches "immediately" upon the creation of "original works of authorship fixed in any tangible medium of expression," provided those works meet certain requirements. A copyright claimant can also register the work with the Register of Copyrights. Upon concluding that the work is indeed copyrightable, the Register will issue a certificate of registration, which, among other advantages, allows the claimant to pursue infringement claims in court. 17 U.S.C. §§ 410(a), 411(a) A valid copyright exists upon a qualifying work's creation and "apart" from registration, however; a certificate of registration merely confirms that the copyright has existed all along. Conversely, if the Register denies an application for registration for lack of copyrightable subject matter—and did not err in doing so—then the work at issue was never subject to copyright protection at all.

In considering plaintiff's copyright registration application as to "A Recent Entrance to Paradise," the Register concluded that "this particular work will not support a claim to copyright" because the work lacked human authorship and thus no copyright existed in the first instance. By design in plaintiff's framing of the registration application, then, the single legal question presented here is whether a work generated autonomously by a computer falls under the protection of copyright law upon its creation.

Plaintiff attempts to complicate the issues presented by devoting a substantial portion of his briefing to the viability of various legal theories under which a copyright in the computer's work would transfer to him, as the computer's owner; for example, by operation of common law property principles or the work-for-hire doctrine. These arguments concern to whom a valid copyright should have been registered, and in so doing put the cart before the horse.<sup>2</sup> By denying registration, the Register concluded that no valid copyright had ever existed in a work generated absent human involvement, leaving nothing at all to register and thus no question as to whom that registration belonged.

The only question properly presented, then, is whether the Register acted arbitrarily or capriciously or otherwise in violation of the APA in reaching that conclusion. The Register did not err in denying the copyright registration application presented by plaintiff. United States copyright law protects only works of human creation.

Plaintiff correctly observes that throughout its long history, copyright law has proven malleable enough to cover works created with or involving technologies developed long after traditional media of writings memorialized on paper. See, e.g., *Goldstein v. California*, 412 U.S. 546, 561 (1973) (explaining that the constitutional scope of Congress's power to "protect the 'Writings' of 'Authors' " is "broad," such that "writings" is not "limited to script or printed material," but rather encompasses "any physical rendering of the fruits of creative intellectual or aesthetic labor"); *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 58 (1884) (upholding the constitutionality of an amendment to the Copyright Act to cover photographs). In

fact, that malleability is explicitly baked into the modern incarnation of the Copyright Act, which provides that copyright attaches to “original works of authorship fixed in any tangible medium of expression, now known or later developed.” 17 U.S.C. § 102(a). Copyright is designed to adapt with the times. Underlying that adaptability, however, has been a consistent understanding that human creativity is the sine qua non at the core of copyrightability, even as that human creativity is channeled through new tools or into new media. In *Sarony*, for example, the Supreme Court reasoned that photographs amounted to copyrightable creations of “authors,” despite issuing from a mechanical device that merely reproduced an image of what is in front of the device, because the photographic result nonetheless represented the original intellectual conceptions of the author. A camera may generate only a “mechanical reproduction” of a scene, but does so only after the photographer develops a “mental conception” of the photograph, which is given its final form by that photographer’s decisions like posing the subject in front of the camera, selecting and arranging the costume, draperies, and other various accessories in said photograph, arranging the subject so as to present graceful outlines, arranging and disposing the light and shade, suggesting and evoking the desired expression, and from such disposition, arrangement, or representation” crafting the overall image. Human involvement in, and ultimate creative control over, the work at issue was key to the conclusion that the new type of work fell within the bounds of copyright.

Copyright has never stretched so far, however, as to protect works generated by new forms of technology operating absent any guiding human hand, as plaintiff urges here. Human authorship is a bedrock requirement of copyright.

That principle follows from the plain text of the Copyright Act. The current incarnation of the copyright law, the Copyright Act of 1976, provides copyright protection to “original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.” 17 U.S.C. § 102(a). The “fixing” of the work in the tangible medium must be done “by or under the authority of the author.” *Id.* § 101. In order to be eligible for copyright, then, a work must have an “author.”

To be sure, as plaintiff points out, the critical word “author” is not defined in the Copyright Act. “Author,” in its relevant sense, means “one that is the source of some form of intellectual or creative work,” “[t]he creator of an artistic work; a painter, photographer, filmmaker, etc.” Author, MERRIAM-WEBSTER UNABRIDGED DICTIONARY, <https://unabridged.merriam-webster.com/unabridged/author> (last visited Aug. 18, 2023); Author, OXFORD ENGLISH DICTIONARY, [https://www.oed.com/dictionary/author\\_n](https://www.oed.com/dictionary/author_n) (last visited Aug. 10, 2023). By its plain text, the 1976 Act thus requires a copyrightable work to have an originator with the capacity for intellectual, creative, or artistic labor. Must that originator be a human being to claim copyright protection? The answer is yes.

The 1976 Act’s “authorship” requirement as presumptively being human rests on centuries of settled understanding. The Constitution enables the enactment of copyright and patent law by granting Congress the authority to “promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” U.S. Const. art. 1, cl. 8. At the founding, both copyright and patent were conceived of as forms of property that the government was established to protect, and it was understood that recognizing exclusive rights in that property would further the public good by incentivizing individuals to create and invent. The act of human creation—and how to best encourage human individuals to engage in that creation, and thereby promote science and the

useful arts—was thus central to American copyright from its very inception. Non-human actors need no incentivization with the promise of exclusive rights under United States law, and copyright was therefore not designed to reach them.

The understanding that “authorship” is synonymous with human creation has persisted even as the copyright law has otherwise evolved. The immediate precursor to the modern copyright law—the Copyright Act of 1909—explicitly provided that only a “person” could “secure copyright for his work” under the Act. Copyright under the 1909 Act was thus unambiguously limited to the works of human creators. There is absolutely no indication that Congress intended to effect any change to this longstanding requirement with the modern incarnation of the copyright law. To the contrary, the relevant congressional report indicates that in enacting the 1976 Act, Congress intended to incorporate the “original work of authorship” standard “without change” from the previous 1909 Act. See H.R. REP. NO. 94-1476, at 51 (1976).

The human authorship requirement has also been consistently recognized by the Supreme Court when called upon to interpret the copyright law. As already noted, in *Sarony*, the Court’s recognition of the copyrightability of a photograph rested on the fact that the human creator, not the camera, conceived of and designed the image and then used the camera to capture the image. See *Sarony*, 111 U.S. at 60. Similarly, in *Mazer v. Stein*, the Court delineated a prerequisite for copyrightability to be that a work “must be original, that is, the author’s tangible expression of his ideas.” 347 U.S. 201, 214 (1954). *Goldstein v. California*, too, defines “author” as “an ‘originator,’ ‘he to whom anything owes its origin,’ ” 412 U.S. at 561. In all these cases, authorship centers on acts of human creativity.

Accordingly, courts have uniformly declined to recognize copyright in works created absent any human involvement, even when, for example, the claimed author was divine. The Ninth Circuit, when confronted with a book “claimed to embody the words of celestial beings rather than human beings,” concluded that “some element of human creativity must have occurred in order for the Book to be copyrightable,” for “it is not creations of divine beings that the copyright laws were intended to protect.” *Urantia Found. v. Kristen Maaherra*, 114 F.3d 955, 958–59 (9th Cir. 1997) (finding that because the “members of the Contact Commission chose and formulated the specific questions asked” of the celestial beings, and then “select[ed] and arrange[d]” the resultant “revelations,” the *Urantia Book* was “at least partially the product of human creativity” and thus protected by copyright); see also *Penguin Books U.S.A., Inc. v. New Christian Church of Full Endeavor*, 96-cv-4126 (RWS), 2000 WL 1028634, at \*2, 10–11 (S.D.N.Y. July 25, 2000) (finding a valid copyright where a woman had “filled nearly thirty stenographic notebooks with words she believed were dictated to her” by a “‘Voice’ which would speak to her whenever she was prepared to listen,” and who had worked with two human co-collaborators to revise and edit those notes into a book, a process which involved enough creativity to support human authorship); *Oliver v. St. Germain Found.*, 41 F. Supp. 296, 297, 299 (S.D. Cal. 1941) (finding no copyright infringement where plaintiff claimed to have transcribed “letters” dictated to him by a spirit named Phyllos the Thibetan, and defendant copied the same “spiritual world messages for recordation and use by the living” but was not charged with infringing plaintiff’s “style or arrangement” of those messages). Similarly, in *Kelley v. Chicago Park District*, the Seventh Circuit refused to “recognize[ ] copyright” in a cultivated garden, as doing so would “press[ ] too hard on the[ ] basic principle[ ]” that “[a]uthors of copyrightable works must be human.” 635 F.3d 290, 304–06 (7th Cir. 2011). The garden “ow[ed] [its] form to the forces of nature,” even if a human had originated the plan for the “initial arrangement of the plants,” and as such lay outside the bounds of copyright. *Id.* at 304. Finally, in *Naruto*

v. *Slater*, the Ninth Circuit held that a crested macaque could not sue under the Copyright Act for the alleged infringement of photographs this monkey had taken of himself, for “all animals, since they are not human” lacked statutory standing under the Act. 888 F.3d 418, 420 (9th Cir. 2018). While resolving the case on standing grounds, rather than the copyrightability of the monkey’s work, the Ninth Circuit nonetheless had to consider whom the Copyright Act was designed to protect and, as with those courts confronted with the nature of authorship, concluded that only humans had standing, explaining that the terms used to describe who has rights under the Act, like “ ‘children,’ ‘grandchildren,’ ‘legitimate,’ ‘widow,’ and ‘widower[.]’ all imply humanity and necessarily exclude animals.” Plaintiff can point to no case in which a court has recognized copyright in a work originating with a non-human.

Undoubtedly, we are approaching new frontiers in copyright as artists put AI in their toolbox to be used in the generation of new visual and other artistic works. The increased attenuation of human creativity from the actual generation of the final work will prompt challenging questions regarding how much human input is necessary to qualify the user of an AI system as an “author” of a generated work, the scope of the protection obtained over the resultant image, how to assess the originality of AI-generated works where the systems may have been trained on unknown pre-existing works, how copyright might best be used to incentivize creative works involving AI, and more. See, e.g., *Letter from Senators Thom Tillis and Chris Coons to Kathi Vidal, Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, and Shira Perlmutter, Register of Copyrights and Director of the U.S. Copyright Office* (Oct. 27, 2022), <https://www.copyright.gov/laws/hearings/Letter-to-USPTO-USCO-on-National-Commission-on-AI-1.pdf> (requesting that the United States Patent and Trademark Office and the United States Copyright Office “jointly establish a national commission on AI” to assess, among other topics, how intellectual property law may best “incentivize future AI related innovations and creations”).

This case, however, is not nearly so complex. While plaintiff attempts to transform the issue presented here, by asserting new facts that he “provided instructions and directed his AI to create the Work,” that “the AI is entirely controlled by [him],” and that “the AI only operates at [his] direction”—implying that he played a controlling role in generating the work—these statements directly contradict the administrative record. Judicial review of a final agency action under the APA is limited to the administrative record, because it is black-letter administrative law that in an APA case, a reviewing court should have before it neither more nor less information than did the agency when it made its decision. Here, plaintiff informed the Register that the work was “[c]reated autonomously by machine,” and that his claim to the copyright was only based on the fact of his “[o]wnership of the machine.” The Register therefore made her decision based on the fact the application presented that plaintiff played no role in using the AI to generate the work, which plaintiff never attempted to correct. On the record designed by plaintiff from the outset of his application for copyright registration, this case presents only the question of whether a work generated autonomously by a computer system is eligible for copyright. In the absence of any human involvement in the creation of the work, the clear and straightforward answer is the one given by the Register: No.

Given that the work at issue did not give rise to a valid copyright upon its creation, plaintiff’s myriad theories for how ownership of such a copyright could have passed to him need not be further addressed. Common law doctrines of property transfer cannot be implicated where no property right exists to transfer in the first instance. The work-for-hire provisions of the Copyright Act, too, presuppose that an interest exists to be claimed. See 17 U.S.C. § 201(b) (“In the case of a work made for hire, the employer ... owns all of the rights

comprised in the copyright.”).<sup>3</sup> Here, the image autonomously generated by plaintiff’s computer system was never eligible for copyright, so none of the doctrines invoked by plaintiff conjure up a copyright over which ownership may be claimed.

#### IV. CONCLUSION

For the foregoing reasons, defendants are correct that the Copyright Office acted properly in denying copyright registration for a work created absent any human involvement. Plaintiff’s motion for summary judgment is therefore denied and defendants’ cross-motion for summary judgment is granted.

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## Check Your Understanding – *Thaler*

**Question 1.** What is the legal basis for the court’s holding in *Thaler* that human authorship is an essential part of a valid copyright claim?



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<https://holmancopyright.lawbooks.cali.org/?p=190#h5p-148>

**Question 2.** Which of these policy rationales does the *Thaler* court cite in support of its conclusion that U. S. copyright law protects only works of human creation?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=190#h5p-149>

Some things to consider when reading *Théâtre D’opéra Spatial*:

1. This is a decision by the Review Board of the United States Copyright Office addressing the copyrightability of a work that the Board found to contain more than a *de minimis* amount of AI-generated content. Note that the Board is not saying that the work is uncopyrightable and cannot be registered, but rather that the human author must disclaim elements of the work that owe their origin to AI rather than a human author.
2. The work was purportedly the first AI-generated image to win the 2022 Colorado State Fair’s annual fine art competition.
3. Part of the applicant’s argument is that his action of entering a series of prompts into a text-to-picture

artificial intelligence service constituted copyrightable “creative input.” What do you think of this argument? How does the use of generative AI tools like Midjourney compare to earlier technologies like Photoshop and spellcheck?

4. The Board analogized the facts of the case to *Kelley v. Chicago Park District*. Recall that in *Thaler* the court did the same thing. Do you agree with this analogy?
5. What do you think about the plaintiff’s policy argument that denying copyright protection to AI-generated material leaves a “void of ownership troubling to creators,” and the Board’s response to this argument?

### *Review Board Decision on Théâtre D’opéra Spatial*

U.S. Copyright Office Review Board (Sept. 5, 2023)

SR # 1-11743923581; Correspondence ID: 1-5T5320R

Re: Second Request for Reconsideration for Refusal to Register Théâtre D’opéra Spatial

**SUZANNE V. WILSON, General Counsel and Associate Register of Copyrights; MARIA STRONG, Associate Register of Copyrights and Director of Policy and International Affairs; JORDANA RUBEL, Assistant General Counsel**

The Review Board of the United States Copyright Office (“Board”)<sup>4</sup> has considered Jason M. Allen’s (“Mr. Allen”) second request for reconsideration of the Office’s refusal to register a two-dimensional artwork claim in the work titled “Théâtre D’opéra Spatial” (“Work”). After reviewing the application, deposit copy, and relevant correspondence, along with the arguments in the second request for reconsideration, the Board affirms the Registration Program’s denial of registration. The Board finds that the Work contains more than a de minimis amount of content generated by artificial intelligence (“AI”), and this content must therefore be disclaimed in an application for registration. Because Mr. Allen is unwilling to disclaim the AI-generated material, the Work cannot be registered as submitted.

#### **I. DESCRIPTION OF THE WORK**

The Work is a two-dimensional artwork, reproduced below:



## II. ADMINISTRATIVE RECORD

On September 21, 2022, Mr. Allen filed an application to register a two-dimensional artwork claim in the Work. While Mr. Allen did not disclose in his application that the Work was created using an AI system, the Office was aware of the Work because it had garnered national attention for being the first AI-generated image to win the 2022 Colorado State Fair’s annual fine art competition. Because it was known to the Office that AI-generated material contributed to the Work, the examiner assigned to the application requested additional information about Mr. Allen’s use of Midjourney, a text-to-picture artificial intelligence service, in the creation of the Work. In response, Mr. Allen provided an explanation of his process, stating that he “input numerous revisions and text prompts at least 624 times to arrive at the initial version of the image.” He further explained that, after Midjourney produced the initial version of the Work, he used Adobe Photoshop to remove flaws and create new visual content and used Gigapixel AI to “upscale” the image, increasing its resolution and size. As a result of these disclosures, the examiner requested that the features of the Work generated by Midjourney be excluded from the copyright claim. Mr. Allen declined the examiner’s request and reasserted his claim to copyright in the features of the Work produced by an AI system. The Office refused to register the claim because the deposit for the Work did not “fix only [Mr. Allen’s] alleged authorship” but instead included “inextricably merged, inseparable contributions” from both Mr. Allen and Midjourney.

On January 24, 2023, Mr. Allen requested that the Office reconsider its initial refusal to register the Work, arguing that the examiner had misapplied the human authorship requirement and that public policy favored



registration. After reviewing the Work in light of the points raised in the First Request, the Office reevaluated the claims and again concluded that the Work could not be registered without limiting the claim to only the copyrightable authorship Mr. Allen himself contributed to the Work. The Office explained that “the image generated by Midjourney that formed the initial basis for th[e] Work is not an original work of authorship protected by copyright.” The Office accepted Mr. Allen’s claim that human-authored “visual edits” made with Adobe Photoshop contained a sufficient amount of original authorship to be registered. However, the Office explained that the features generated by Midjourney and Gigapixel AI must be excluded as non-human authorship. Because Mr. Allen sought to register the entire work and refused to disclaim the portions attributable to AI, the Office could not register the claim.

In a letter submitted July 12, 2023, Mr. Allen requested that, pursuant to 37 C.F.R. § 202.5(c), the Office reconsider for a second time its refusal to register the Work. The Second Request presented several arguments. First, Mr. Allen argued that, in finding that the image generated by Midjourney lacks the human authorship essential for copyright protection, “the Office ignore[d] the essential element of human creativity required to create a work using the Midjourney program.” Mr. Allen argued that his “creative input” into Midjourney, which included “enter[ing] a series of prompts, adjust[ing] the scene, select[ing] portions to focus on, and dictat[ing] the tone of the image,” is “on par with that expressed by other types of artists and capable of Copyright protection.” He further contended that the fair use doctrine “would allow for registration of the work” because it “allows for transformative uses of copyrighted material.” Mr. Allen argued that, “[i]n this case, the underlying AI-generated work merely constitutes raw material which Mr. Allen has transformed through his artistic contributions.” Therefore, “regardless of whether the underlying AI-generated work is eligible for copyright registration, the entire Work in the form submitted to the copyright office should be accepted for registration.” Next, he asserted that, by refusing to register content generated via Midjourney and other generative AI platforms, “the Office is placing a value judgment on the utility of various tools,” and that denial of copyright protection for the output of such tools would result in a void of ownership. Finally, he objected to the Office’s registration requirements for works containing AI-generated content, stating that “[r]equiring creators to list each tool and the proportion of the work created with the tool would have a burdensome effect if enforced uniformly.”

### **III. DISCUSSION**

After carefully examining the Work and considering the arguments made in the First and Second Requests, the Board finds that the Work contains more than a de minimis amount of AI-generated content, which must be disclaimed in an application for registration. Because Mr. Allen has refused to disclaim the material produced by AI, the Work cannot be registered as submitted.

#### **A. Originality and the Human Authorship Requirement**

Because copyright protection is only available for the creations of human authors, “the Office will refuse to register a [copyright] claim if it determines that a human being did not create the work.” U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES § 306 (3d ed. 2021) (“COMPENDIUM (THIRD)”).

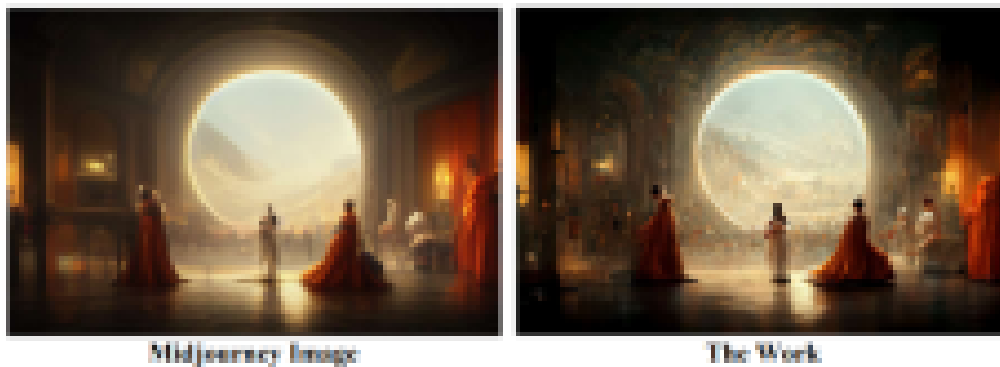
When analyzing AI-generated material, the Office must determine when a human user can be considered the “creator” of AI-generated output. In March 2023, the Office provided public guidance on registration

of works created by a generative-AI system. The guidance explained that, in considering an application for registration, the Office will ask “whether the ‘work’ is basically one of human authorship, with the computer [or other device] merely being an assisting instrument, or whether the traditional elements of authorship in the work (literary, artistic, or musical expression or elements of selection, arrangement, etc.) were actually conceived and executed not by man but by a machine.” *Copyright Registration Guidance: Works Containing Material Generated by Artificial Intelligence*, 88 Fed. Reg. 16,190, 16,192 (Mar. 16, 2023) (“AI Registration Guidance”) (quoting U.S. COPYRIGHT OFFICE, SIXTY-EIGHTH ANNUAL REPORT OF THE REGISTER OF COPYRIGHTS FOR THE FISCAL YEAR ENDING JUNE 30, 1965, 5 (1966)); see also AI Registration Guidance, 88 Fed. Reg. at 16,192 (asking “whether the AI contributions are the result of ‘mechanical reproduction’ or instead of an author’s ‘own original mental conception, to which [the author] gave visible form.’”) (quoting *Burrow-Giles Lithographic Co. v. Sarony*, 111 U.S. 53, 60 (1884)). This analysis will be “necessarily case-by-case” because it will “depend on the circumstances, particularly how the AI tool operates and how it was used to create the final work.” AI Registration Guidance, 88 Fed. Reg. at 16,192.

If all of a work’s “traditional elements of authorship” were produced by a machine, the work lacks human authorship, and the Office will not register it. If, however, a work containing AI-generated material also contains sufficient human authorship to support a claim to copyright, then the Office will register the human’s contributions. In such cases, the applicant must disclose AI-generated content that is “more than de minimis.” Applicants may disclose and exclude such material by placing a brief description of the AI-generated content in the “Limitation of Claim” section on the registration application. The description may be as brief and generic as “[description of content] generated by artificial intelligence.” Applicants may provide additional information in the “Note to CO” field in the online application. Applicants are not required to list the AI tools used in the creation of the work.

## B. Analysis

Because the Work here contains AI-generated material, the Board starts with an analysis of the circumstances of the Work’s creation, including Mr. Allen’s use of an AI tool. According to Mr. Allen, the Work was created by 1) initially generating an image using Midjourney (the “Midjourney Image”), 2) using Adobe Photoshop to “beautify and adjust various cosmetic details/flaws/artifacts, etc.” in the Midjourney Image, and 3) upscaling the image using Gigapixel AI. After considering the application, the deposit, and Mr. Allen’s correspondence, the Board concludes that the Work contains an amount of AI-generated material that is more than de minimis and thus must be disclaimed. Specifically, the Board concludes that **the** Midjourney Image, which remains in substantial form in the final Work, is not the product of human authorship. In reaching this conclusion, the Board does not decide whether Mr. Allen’s adjustments made in Adobe Photoshop would be copyrightable on their own because the Board lacks sufficient information to make that determination. The Board also does not consider Mr. Allen’s use of Gigapixel AI because he concedes that Gigapixel AI “doesn’t introduce new, original elements into the image” and that “the enlargement process undertaken by Gigapixel AI does not equate to authorship.”



In his Second Request, Mr. Allen asserts a number of arguments in support of his claim. He argues that his use of Midjourney allows him to claim authorship of the image generated by the service because he provided “creative input” when he “entered a series of prompts, adjusted the scene, selected portions to focus on, and dictated the tone of the image.” As explained in his correspondence, Mr. Allen created a text prompt that began with a “big picture description” that “focuse[d] on the overall subject of the piece.” He then added a second “big picture description” to the prompt text “as a way of instructing the software that Mr. Allen is combining two ideas.” Next, he added “the overall image’s genre and category,” “certain professional artistic terms which direct the tone of the piece,” “how lifelike [Mr. Allen] wanted the piece to appear,” a description of “how colors [should be] used,” a description “to further define the composition,” “terms about what style/era the artwork should depict,” and “a writing technique that Mr. Allen has established from extensive testing” that would make the image “pop.” He then “append[ed] the prompt” with various parameters which further instruct[ed] the software how to develop the image,” resulting in a final text prompt that was “executed . . . into Midjourney to complete the process” and resulted in the creation of the Midjourney Image above.

In the Board’s view, Mr. Allen’s actions as described do not make him the author of the Midjourney Image because his sole contribution to the Midjourney Image was inputting the text prompt that produced it. Although Mr. Allen describes “input[ing] numerous revisions and text prompts at least 624 times” before producing the Midjourney Image, the steps in that process were ultimately dependent on how the Midjourney system processed Mr. Allen’s prompts. According to Midjourney’s documentation, prompts “influence” what the system generates and are “interpret[ed]” by Midjourney and “compared to its training data.” As the Office has explained, “Midjourney does not interpret prompts as specific instructions to create a particular expressive result,” because “Midjourney does not understand grammar, sentence structure, or words like humans.” It is the Office’s understanding that, because Midjourney does not treat text prompts as direct instructions, users may need to attempt hundreds of iterations before landing upon an image they find satisfactory. This appears to be the case for Mr. Allen, who experimented with over 600 prompts before he “select[ed] and crop[p] out one ‘acceptable’ panel out of four potential images ... (after hundreds were previously generated).” As the Office described in its March guidance, “when an AI technology receives solely a prompt from a human and produces complex written, visual, or musical works in response, the ‘traditional elements of authorship’ are determined and executed by the technology—not the human user.” AI Registration Guidance, 88 Fed. Reg. at 16,192. And because the authorship in the Midjourney Image is more than de minimis, Mr. Allen must exclude it from his claim. See *id.* at 16,193. Because Mr. Allen has refused

to limit his claim to exclude its non-human authorship elements, the Office cannot register the Work as submitted.

The Board finds that Mr. Allen’s remaining arguments regarding elements of authorship in the Work are unpersuasive. First, he argues that the Office’s position “ignores the essential element of human creativity required to create a work using the Midjourney program,” and that his creative choices in operating Midjourney make him the author of resulting output. The Board acknowledges that the process of prompting can involve creativity—after all, “some prompts may be sufficiently creative to be protected by copyright” as literary works. But that does not mean that providing text prompts to Midjourney “actually form[s]” the generated images. Instead, Mr. Allen is closer to the plaintiff in *Kelley v. Chicago Park District* who sought to claim copyright in a “living garden.” 635 F.3d 290 (7th Cir. 2011). In that case, the court rejected the authorship claim because, as is true here, the plaintiff’s actions did not amount to creative control of the claimed elements of the work. As the Seventh Circuit further explained, while “copyright’s prerequisites of authorship and fixation are broadly defined, ... the law must have some limits.”

Second, the Board rejects Mr. Allen’s policy argument that denying copyright protection to AI-generated material leaves a “void of ownership troubling to creators.” The Constitution and the Copyright Act define the works that are entitled to copyright protection, and expressly exclude certain subject matter. To be copyrightable, a work must qualify as an “original work of authorship,” which excludes works produced by non-humans. The fact that not all works will satisfy this standard does not create a “troubling” void of ownership. The Office administers the copyright laws as enacted by Congress and cannot exceed the bounds set by Congress and the Constitution.

Third, the Board rejects Mr. Allen’s argument that requiring AI-generated material to be excluded from the application for the Work improperly “plac[es] a value judgment on the utility of various tools.” The disclosure of AI-generated material is “information regarded by the Register of Copyrights as bearing upon the preparation or identification of the work or the existence, ownership, or duration of the copyright.” 17 U.S.C. § 409(10). As the Office’s guidance on works containing AI-generated material explained, the Copyright Act permits the Register to identify such information and require its disclosure in copyright applications. This requirement is not a value judgment; it is a recognition of the fact that “[h]uman authorship is a bedrock requirement of copyright.”

Fourth, the Board rejects Mr. Allen’s suggestion that the doctrine of “fair use” is relevant to the determination of whether a work is copyrightable. See Second Request at 1, 9–11 (arguing that AI-generated material “merely constitutes raw material which Mr. Allen has transformed”) (citing *Cariou v. Prince*, 714 F.3d 694 (2d Cir. 2013)). Fair use is a legal doctrine that permits the unauthorized use of copyright-protected works in certain circumstances; it does not address copyrightability, but rather use. To the extent Mr. Allen argues by analogy that his visual edits are “transformative,” and thus, copyrightable, the Board agrees that human-authored modifications of AI-generated material may be protected by copyright. But the Office cannot register Mr. Allen’s human contributions if he does not limit his claim with respect to the AI-generated material.

#### IV. CONCLUSION

For the reasons stated herein, the Review Board of the United States Copyright Office affirms the refusal

to register the copyright claim in the Work. Pursuant to 37 C.F.R. § 202.5(g), this decision constitutes final agency action regarding Mr. Allen’s September 2022 application.

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## Check Your Understanding – *Théâtre D’opéra Spatial*

**Question 1.** Which of the following will the Copyright Office register as a copyrighted work?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=190#h5p-150>

**Question 2.** In *Théâtre D’opéra Spatial*, how did the Board respond to the policy argument that denying copyright protection to AI-generated material leaves a “void of ownership troubling to creators.”



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=190#h5p-151>

Some things to consider when reading *Stability AI*:

1. In this case graphic artists are suing multiple defendants for their involvement in the creation and use of Stable Diffusion, which the court characterizes as an AI software product that provides “image-generating services,” and which the plaintiffs allege was “trained” using the plaintiffs’ copyrighted works without their authorization.
2. The decision illustrates some of the obstacles that face copyright owners seeking to enforce their copyrights in this context. The court found their complaint to be “defective in numerous respects,” and largely granted the defendants’ motion to dismiss, while giving the plaintiffs permission to amend their complaint to provide clarity regarding their theories of infringement.
3. Note the court’s response to the plaintiffs’ claims that both the AI product and its output images are infringing derivative works.
4. Do you think the defendants might be able to successfully invoke a fair use defense?
5. This is one of many lawsuits alleging copyright infringement that have been filed on behalf of artists and authors against AI platforms, see, e.g., *Authors Guild et al. v. OpenAI*, *Sarah Silverman et al. v. OpenAI and Meta*, *Getty Images v. Stability AI*, and *Universal Music Group et al. v. Anthropic*.

## *Andersen v. Stability AI Ltd.*

700 F.Supp.3d 853 (N.D. Cal. 2023)

WILLIAM H. ORRICK, United States District Judge

Artists Sarah Anderson, Kelly McKernan, and Karla Ortiz filed this putative class action on behalf of themselves and other artists to challenge the defendants' creation or use of Stable Diffusion, an artificial intelligence ("AI") software product. Plaintiffs allege that Stable Diffusion was "trained" on plaintiffs' works of art to be able to produce Output Images "in the style" of particular artists. The three sets of defendants ((i) Stability AI Ltd. and Stability AI, Inc. ("Stability"); (ii) DeviantArt, Inc.; and (iii) Midjourney, Inc.) have each filed separate motions to dismiss. Finding that the Complaint is defective in numerous respects, I largely GRANT defendants' motions to dismiss. Plaintiffs are given leave to amend to provide clarity regarding their theories of how each defendant separately violated their copyrights, removed or altered their copyright management information, or violated their rights of publicity and plausible facts in support.

### **BACKGROUND**

Plaintiffs allege that Stability created and released in August 2022 a "general-purpose" software program called Stable Diffusion under a "permission open-source license." Stability is alleged to have "downloaded of otherwise acquired copies of billions of copyrighted images without permission to create Stable Diffusion," known as "training images." Over five billion images were scraped (and thereby copied) from the internet for training purposes for Stable Diffusion through the services of an organization (LAION, Large-Scale Artificial Intelligence Open Network) paid by Stability. Stability's founder and CEO "publicly acknowledged the importance of using licensed training images, saying that future versions of Stable Diffusion would be based on 'fully licensed' training images. But for the current version, he took no steps to obtain or negotiate suitable licenses."

Stable Diffusion is alleged to be a "software library" providing "image-generating services" to products produced and maintained by the defendants including "DreamStudio, DreamUp, and on information and belief, the Midjourney Product." Consumers use these products by entering text prompts into the programs to create images "in the style" of artists. The new images are created "through a mathematical process" that are based entirely on the training images and are "derivative" of the training images. Plaintiffs admit that "[i]n general, none of the Stable Diffusion output images provided in response to a particular Text Prompt is likely to be a close match for any specific image in training data. This stands to reason: the use of conditioning data to interpolate multiple latent images means that the resulting hybrid image will not look exactly like any of the Training Images that have been copied into these latent images." Plaintiffs also allege that "[e]very output image from the system is derived exclusive from the latent images, which are copies of copyrighted images. For these reasons, every hybrid image is necessarily a derivative work."

DreamStudio is Stability's product, also released in August 2002; it functions as a "user interface" accessing "a trained version of Stable Diffusion."

Defendant DeviantArt was founded in 2000 and has primarily been known as an "online community" where digital artists post and share their work. Deviant Art released its "DreamUp" product in November 2022.

DreamUp is a commercial product that relies on Stable Diffusion to produce images and is only available to customers who pay DeviantArt. Plaintiffs allege that at least one LAION dataset that was incorporated into Stable Diffusion for training images (the “aesthetic dataset”) was procured by scraping primarily 100 websites, including DeviantArt’s site. As a result, plaintiffs allege that Stability copied thousands and possible millions of training images from DeviantArt created by artists and other DeviantArt subscribers without licensing their works of art.

Defendant Midjourney, based in San Francisco, created and distributes the “Midjourney Product.” The Midjourney Product was launched in beta form in July 2022, and is alleged to be a commercial product that produces images in response to text prompts in the same manner as DreamStudio and DreamUp. Plaintiffs allege that the Midjourney product uses Stable Diffusion but also that it was “trained on a subset of the images used to train Stable Diffusion.” The Midjourney Product is offered to online users of the internet-chat system Discord, as well as through an app, for a service fee. Midjourney’s CEO has stated that Midjourney used large open data sets, thereby “implying” that Midjourney used the LAION datasets for training. In August 2022, Midjourney released a beta version using Stable Diffusion.

Plaintiff Anderson resides in Oregon and is a full-time cartoonist and illustrator. Plaintiffs allege that Anderson “has created and owns a copyright interest in over two hundred Works included in the Training Data,” and has registered or applied “for an owns copyright registrations for sixteen collections that include Works used as Training Images.” Plaintiff McKernan resides in Tennessee and is a full-time artist. McKernan is alleged to have “created and owns a copyright interest in over thirty Works used as Training Images.” Plaintiff Ortiz resides in California and is a full-time artist. Ortiz is alleged to have “created and owns a copyright interest in at least twelve Works that were used as Training Images.”

Plaintiffs assert the following claims against all three sets of defendants: (1) Direct Copyright Infringement, 17 U.S.C. § 106; (2) Vicarious Copyright Infringement, 17 U.S.C. § 106; (3) violation of the Digital Millennium Copyright Act, 17 U.S.C. §§ 1201-1205 (“DMCA”); (4) violation of the Right to Publicity, Cal. Civil Code § 3344; (5) violation of the Common Law Right of Publicity; (6) Unfair Competition, Cal. Bus. & Prof. Code § 17200; and (7) Declaratory Relief.

## **LEGAL STANDARD**

Under FRCP 12(b)(6), a district court must dismiss a complaint if it fails to state a claim upon which relief can be granted. To survive a Rule 12(b)(6) motion to dismiss, the plaintiff must allege “enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007).

## **DISCUSSION**

### **I. MOTIONS TO DISMISS**

Each of the defendants separately move to dismiss, but raise substantially similar arguments addressed collectively below.

#### **A. Copyright – Counts I & II**

#### **2. Identifying Infringed Works**

As to Anderson, defendants argue that she cannot proceed with her copyright infringement allegations unless she identifies with specificity each of her registered works that she believes were used as Training Images for Stable Diffusion. In the Complaint, Anderson alleges that she “has created and owns a copyright interest in over two hundred Works included in the Training Data” and that “[e]xamples of Ms. Andersen’s Works included in the Training Data can be found here: [https://haveibeenentrained.com/?search\\_text=sarah%20andersen.cites](https://haveibeenentrained.com/?search_text=sarah%20andersen.cites).”

Defendants contend that those allegations are insufficient and argue that Anderson should be required to identify which specific works from which of her registered collections she believes were copied into the LAION datasets and ended up as Training Images for Stable Diffusion.

Anderson does not identify which of her specific works covered by a registration were used as Training Images but relies on the output of a search of her name on the “ihaveibeenentrained.com” site to support the plausibility and reasonableness of her belief that her works were, in fact, used in the LAION datasets and training for Stable Diffusion. She attests that her review of the output pages from that search confirms that some of her registered works were used as Training Images. That is a sufficient basis to allow her copyright claims to proceed at this juncture, particularly in light of the nature of this case, i.e., that LAION scraped five billion images to create the Training Image datasets. At this juncture, the plausible inferences are that all of Anderson’s works that were registered as collections and were online were scraped into the training datasets. Her assertions regarding the results of her search on the “haveibeenentrained” site supports that inference and makes it reasonable for this case. While defendants complain that Anderson’s reference to search results on the “haveibeenentrained” website is insufficient, as the output pages show many hundreds of works that are not identified by specific artists, defendants may test Anderson’s assertions in discovery.

### **3. Direct Infringement Allegations Against Stability**

Plaintiffs’ primary theory of direct copyright infringement is based on Stability’s creation and use of “Training Images” scraped from the internet into the LAION datasets and then used to train Stable Diffusion. Plaintiffs have adequately alleged direct infringement based on the allegations that Stability “downloaded or otherwise acquired copies of billions of copyrighted images without permission to create Stable Diffusion,” and used those images (called “Training Images”) to train Stable Diffusion and caused those “images to be stored at and incorporated into Stable Diffusion as compressed copies.” In its “Preliminary Statement” in support of its motion to dismiss, Stability opposes the truth of plaintiffs’ assertions. However, even Stability recognizes that determination of the truth of these allegations – whether copying in violation of the Copyright Act occurred in the context of training Stable Diffusion or occurs when Stable Diffusion is run – cannot be resolved at this juncture. Stability does not otherwise oppose the sufficiency of the allegations supporting Anderson’s direct copyright infringement claims with respect to the Training Images.

Stability’s motion to dismiss Count I for direct copyright infringement is **DENIED**.

### **4. Direct Infringement Allegations Against DeviantArt**

Plaintiffs fail to allege specific plausible facts that DeviantArt played any affirmative role in the scraping and using of Anderson’s and other’s registered works to create the Training Images. The Complaint, instead, admits that the scraping and creation of Training Images was done by LAION at the direction of Stability and that Stability used the Training Images to train Stable Diffusion. What DeviantArt is specifically alleged to



have done is be a primary “source” for the “LAION-Aesthetic dataset” created to train Stable Diffusion. That, however, does not support a claim of direct copyright infringement by DeviantArt itself.

In opposition, plaintiffs offer three theories of DeviantArt’s direct infringement:

- (1) direct infringement by distributing Stable Diffusion, which contains compressed copies of the training images, as part of DeviantArt’s DreamUp AI imaging product;
- (2) direct infringement by creating and distributing their DreamUp, which is itself an infringing derivative work; and
- (3) generating and distributing output images which are infringing derivative works.

In support, plaintiffs point to their allegations that: “Stable Diffusion has been used as a Software Library within” DreamUp; “DreamUp is a commercial product that relies on Stable Diffusion to produce images”; “DreamUp is a web-based app that generates images in response to Text Prompts. Like DreamStudio, DreamUp relies on Stability’s Stable Diffusion software as its underlying software engine”; that DeviantArt embraced “Stable Diffusion by incorporating it into their website via the DreamUp app.”; and DeviantArt decided to use “Stable Diffusion because it’s the only option for us to take an open source [software engine] and modify it.”

DeviantArt vigorously disputes the assertions – made throughout the Complaint – that “embedded and stored compressed copies of the Training Images” are contained within Stable Diffusion. DeviantArt (and Stability and Midjourney) argue that those assertions are implausible given plaintiffs’ allegation that the training dataset was comprised of five billion images; five billion images could not possibly be compressed into an active program. Defendants also claim that the “compressed copies” allegations are contradicted by plaintiffs’ descriptions of the diffusion process in the Complaint. Those descriptions admit that the diffusion process involves not copying of images, but instead the application of mathematical equations and algorithms to capture concepts from the Training Images. Finally, defendants rely heavily on plaintiffs’ admission that, “[i]n general, none of the Stable Diffusion output images provided in response to a particular Text Prompt is likely to be a close match for any specific image in the training data.” In light of that, defendants argue that plaintiffs cannot plausibly plead copying in violation of the Copyright Act based on Output Images.

Turning to the first theory of direct copyright infringement and the plausibility of plaintiffs’ assertion that Stable Diffusion contains “compressed copies” of the Training Images and DeviantArt’s DreamUp product utilizes those compress copies, DeviantArt is correct that the Complaint is unclear. As noted above, the Complaint repeatedly alleges that *Stable Diffusion* contains compressed copies of registered works. But the Complaint also describes the diffusion practice as follows:

Because a trained diffusion model can produce a copy of any of its Training Images—which could number in the billions—the diffusion model can be considered an alternative way of storing a copy of those images. In essence, it’s similar to having a directory on your computer of billions of JPEG image files. But the diffusion model uses statistical and mathematical methods to store these images in an even more efficient and compressed manner.

Plaintiffs will be required to amend to clarify their theory with respect to compressed copies of Training Images and to state facts in support of how Stable Diffusion – a program that is open source, at least in part – operates with respect to the Training Images. If plaintiffs contend Stable Diffusion contains “compressed copies” of the Training Images, they need to define “compressed copies” and explain plausible facts in support. And if plaintiffs’ compressed copies theory is based on a contention that Stable Diffusion contains mathematical or statistical methods that can be carried out through algorithms or instructions in order to reconstruct the Training Images in whole or in part to create the new Output Images, they need to clarify that and provide plausible facts in support.

Depending on the facts alleged on amendment, DeviantArt (and Midjourney) may make a more targeted attack on the direct infringement contentions. It is unclear, for example, if Stable Diffusion contains only algorithms and instructions that can be applied to the creation of images that include only a few elements of a copyrighted Training Image, whether DeviantArt or Midjourney can be liable for direct infringement by offering their clients use of the Stable Diffusion “library” through their own apps and websites. But if plaintiffs can plausibly plead that defendants’ AI products allow users to create new works by expressly referencing Anderson’s works by name, the inferences about how and how much of Anderson’s protected content remains in Stable Diffusion or is used by the AI end-products might be stronger.<sup>5</sup>

In addition to providing clarity regarding their definition of and theory with respect to the inclusion of compressed copies of Training Images in Stable Diffusion, plaintiffs shall also provide more facts that plausibly show how DeviantArt is liable for direct copyright infringement when, according to plaintiffs’ current allegations, DeviantArt simply provides its customers access to Stable Diffusion as a library. Plaintiffs do cite testimony from DeviantArt’s CEO that DeviantArt uses Stable Diffusion because Stability allowed DeviantArt to “modify” Stable Diffusion. The problem is that there are no allegations what those modifications might be or why, given the structure of Stable Diffusion, any compressed copies of copyrighted works that may be present in Stable Diffusion would be copied within the meaning of the Copyright Act by DeviantArt or its users when they use DreamUp. Nor do plaintiffs provide plausible facts regarding DeviantArt “distributing” Stable Diffusion to its users when users access DreamUp through the app or through DeviantArt’s website.

That leaves plaintiffs’ third theory of direct infringement; that DreamUp produces “Output Images” that are all infringing derivative works.<sup>6</sup> DeviantArt argues that to adequately plead this claim, plaintiffs must allege the Output Images are substantially similar to the protected works but they cannot do so given plaintiffs’ repeated admission that “none of the Stable Diffusion output images provided in response to a particular Text Prompt is likely to be a close match for any specific image in the training data.”

A problem for plaintiffs is that [their] theory regarding compressed copies and DeviantArt’s copying need to be clarified and adequately supported by plausible facts. The other problem for plaintiffs is that it is simply not plausible that every Training Image used to train Stable Diffusion was copyrighted (as opposed to copyrightable), or that all DeviantArt users’ Output Images rely upon (theoretically) copyrighted Training Images, and therefore *all* Output images are derivative images.

Even if that clarity is provided and even if plaintiffs narrow their allegations to limit them to Output Images that draw upon Training Images based upon copyrighted images, I am not convinced that copyright claims based a derivative theory can survive absent “substantial similarity” type allegations. The cases plaintiffs

rely on appear to recognize that the alleged infringer’s derivative work must still bear some similarity to the original work or contain the protected elements of the original work. See, e.g., *Jarvis v. K2 Inc.*, 486 F.3d 526, 532 (9th Cir. 2007) (finding works were derivative where plaintiff “delivered the images to K2 in one form, and they were subsequently used in the collage ads in a quite different (*though still recognizable*) form. The ads did not simply compile or collect Jarvis’ images but rather altered them in various ways and fused them with other images and artistic elements into new works that were based on—i.e., derivative of—Jarvis’ original images.”) (emphasis added); *ITC Textile Ltd. v. Wal-Mart Stores Inc.*, No. CV122650JFWAJWX, 2015 WL 12712311, at \*5 (C.D. Cal. Dec. 16, 2015) (“Accordingly, even if Defendants did *modify them slightly*, such modifications are not sufficient to avoid infringement in a direct copying case.... Thus, the law is clear that in cases of direct copying, the fact that the final result of defendant’s work differs from plaintiff’s work is not exonerating.”) (emphasis added); see also *Litchfield v. Spielberg*, 736 F.2d 1352, 1357 (9th Cir. 1984) (“a work is not derivative unless it has been substantially copied from the prior work”); *Authors Guild v. Google, Inc.*, 804 F.3d 202, 225 (2d Cir. 2015) (“derivative works over which the author of the original enjoys exclusive rights ordinarily are those that re-present the protected aspects of the original work, i.e., its expressive content”).

Defendants make a strong case that I should dismiss the derivative work theory without leave to amend because plaintiffs cannot plausibly allege the Output Images are substantially similar or re-present protected aspects of copyrighted Training Images, especially in light of plaintiffs’ admission that Output Images are unlikely to look like the Training Images. But other parts of plaintiffs’ Complaint allege that Output Images can be so similar to plaintiff’s styles or artistic identities to be misconstrued as “fakes.” Once plaintiffs amend, hopefully providing clarified theories and plausible facts, this argument may be re-raised on a subsequent motion to dismiss.

DeviantArt’s motion to dismiss Claim I is GRANTED with leave to amend.

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## Check Your Understanding – *Stability AI*

**Question 1.** Having survived a Rule 12(b)(6) motion to dismiss, which of the following will the plaintiffs in *Stability AI* likely attempt to establish in order to move forward with their claims of copyright infringement?



An interactive H5P element has been excluded from this version of the text. You can view it online here:  
<https://holmancopyright.lawbooks.cali.org/?p=190#h5p-154>

Some things to consider when reading Ross:

1. In this decision a district court denies both parties’ motions for summary judgment in a case in which

the owner of Westlaw sued Ross, an AI startup, for copyright infringement, largely based on the court's determination that "many of the critical facts in this case remain genuinely disputed."

2. Westlaw has no copyright in the reported judicial decisions (see the section of this casebook on government works), but does claim copyright in its headnotes and Key Number System. Note that the question of whether this Westlaw-generated content is copyrighted—and if so, to what extent—is disputed, which is one reason the court denied summary judgment.
3. The case gives some insight into the mechanics of creating an AI model.
4. The court finds that at least portions of the headnotes were actually copied, and thus it appears that Ross will likely be found liable for copyright infringement if the headnotes are sufficiently creative and distinct from the judicial opinions upon which they are based, *unless* Ross can successfully invoke the affirmative defense of fair use.
5. Although the court finds that the question of fair use must ultimately go to the jury to resolve certain factual questions, the court does engage in some application of the four fair use factors to Ross's copying. Note the court's apparent focus on "transformativeness," and its decision not to "overread" *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*.
6. The court discusses the implications of the "intermediate copying caselaw" in relation to the question of transformativeness.
7. The court discusses the public benefits Ross's copying will likely produce, and the parties' "competing narratives of public benefit."
8. In addition to addressing generative AI, this case offers a good recap of many of the key doctrines throughout copyright law, including originality, idea/expression, copying in fact, substantial similarity, fair use, and secondary liability.

### *Thomson Reuters Enter. Ctr. GmbH v. Ross Intel. Inc.*

694 F.Supp.3d 467 (D. Del. 2023)

BIBAS, Circuit Judge.

Facts can be messy even when parties wish they were not. But summary judgment is proper only if factual messes have been tidied. Courts cannot clean them up.

Thomson Reuters, a media company, owns a well-known legal research platform, Westlaw. It alleges that Ross, an artificial intelligence startup, illegally copied important content from Westlaw. Thomson Reuters thus seeks to recover from Ross. Both sides move for summary judgment on a variety of claims and defenses. But many of the critical facts in this case remain genuinely disputed. So I largely deny Thomson Reuters's and Ross's motions for summary judgment.

#### **I. Background**

Many facts are disputed, but the basic story is not. Thomson Reuters's Westlaw platform compiles judicial opinions according to its Key Number System. That system organizes opinions by the type of law. Westlaw also adds "headnotes": short summaries of points of law that appear in the opinion. Each headnote is tied to a key number. Clicking on the headnote takes the user to the corresponding passage in the opinion. Clicking

on the key number takes the user to a list of cases that make the same legal point. Westlaw has a registered copyright on its “original and revised text and compilation of legal material,” which includes its headnotes and Key Number System.

Ross Intelligence is a legal-research industry upstart. It sought to create a “natural language search engine” using machine learning and artificial intelligence. It wanted to “avoid human intermediated materials.” Users would enter questions and its search engine would spit out quotations from judicial opinions—no commentary necessary.

To leverage machine learning, Ross needed legal material to train the machine. At first, it tried to get a license to use Westlaw, but Thomson Reuters does not let users use Westlaw to develop a competing platform. So Ross turned to a third-party legal-research company, LegalEase Solutions.

Ross told LegalEase to create memos with legal questions and answers. The questions were meant to be those “that a lawyer would ask,” and the answers were direct quotations from legal opinions. The so-called Bulk Memo Project produced about 25,000 question-and-answer sets. Each memo had one question plus four to six answers and rated each answer’s relevance. LegalEase created the memos both manually and, for a time, with the help of a text-scraping bot.

Ross says it converted the LegalEase memos into usable machine-learning training data. That involved first encoding the written language as numerical data and then running the data through a “Featurizer” that “performed various mathematical ... calculations on the text.”

The core of this suit stems from the Bulk Memo Project. Thomson Reuters says the questions were essentially headnotes with question marks at the end. Ross admits that the headnotes “influenced” the questions but says lawyers ultimately drafted them, instead of copying them. Though Thomson Reuters contends that all 25,000 are copies, it has moved for summary judgment on just 2,830. It says LegalEase’s copying of those 2,830 is undisputed because Ross’s own expert admitted it.

Beyond the Bulk Memo Project, LegalEase provided Ross with two other relevant services. First, LegalEase sent Ross a list of 91 legal topics from Westlaw’s Key Number System. Ross admits that it “considered” these topics when creating its own set of 38 topics that were used in an experimental “Classifier Project.” But it ultimately abandoned the Project. LegalEase also sent Ross 500 judicial opinions, including Westlaw’s headnotes, key numbers, and other annotations. Ross says it did nothing with these opinions.

In this opinion, I address five summary-judgment motions. Thomson Reuters has moved for summary judgment on its copyright-infringement claim (limited to the 2,830 memos mentioned), and both sides have moved for summary judgment on Ross’s fair-use defense. Thomson Reuters has also moved for summary judgment on its tortious-interference-with-contract claim, and Ross has counter-moved on its preemption defense to that claim.

## **II. Copyright Infringement**

A copyright-infringement claim has three elements: ownership of a valid copyright, actual copying, and substantial similarity. *See Feist Publ’ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). Here, all three elements are at least partly disputed. But the dispute over the second element is legal, so I can decide it now.

And because Ross hired LegalEase to do the copying (if there was any), Thomson Reuters also couches its argument in terms of direct, contributory, and vicarious liability. So after addressing the three infringement elements, I will consider each of these liability theories as well.

#### **A. The parties still dispute breadth and validity of Westlaw's copyright**

Ross bets a good chunk of its infringement defense on Westlaw's being registered as a compilation. Ross's theory is this: because Westlaw has just one copyright registration, comprising hundreds of thousands of headnotes and key numbers, copying a mere few thousand is not enough for infringement.

Ross's gamble does not pay off. A copyright in a compilation extends to the copyrightable pieces of that compilation. And when the author of a compilation presents facts through his own original words, "[o]thers may copy the underlying facts from the publication, but not the precise words used to present them." *Feist*, 499 U.S. at 348. Plus, though a plaintiff must have a registration to bring a federal suit for infringement, it can sue on all protected components of that one registration. 2 David Nimmer, *Nimmer on Copyright* § 7.16(B)(5)(c) (2023).

The cases Ross cites are the exceptions that prove the rule. In those cases, the copyright holder owned *only* the compilation. In one case cited, the plaintiff had a compilation copyright in the organization and selection of state legal forms. *Ross, Brovins & Oehmke, P.C. v. Lexis Nexis Grp.*, 463 F.3d 478, 480 (6th Cir. 2006). Though the underlying entries were in the public domain, the organizer's exact selection and arrangement were copyrightable. Even though the defendant copied and compiled 61% of the forms from the plaintiff's compilation, there was no infringement because the defendant's compilation was not the "same selection." So in these cases, the plaintiffs owned "thin" copyrights: other than their selection and arrangement choices, none of their compilations' components were protectable.

Here, only the Key Number System aligns with the compilation caselaw: It is Westlaw's method of organizing and arranging judicial opinions. So Thomson Reuters could have a valid copyright in this method of arrangement but not in the underlying opinions. That said, to qualify for copyright protection, the manner of rearranging and organizing the unprotectable underlying works must constitute more than a minimal contribution. This threshold for originality is low, but the parties dispute facts needed to figure out if the System clears the bar.

Thomson Reuters alleges that employees make creative organizing decisions to update and maintain the System and that the System is unique among its competition. But Ross replies that the System is unoriginal because most of the organization decisions are made by a rote computer program and the high-level topics largely track common doctrinal topics taught as law school courses. And although Thomson Reuters's registered copyright could protect its Key Number System, the jury needs to decide its originality, whether it is in fact protected, and how far that protection extends.

In contrast, the headnotes are not aptly described by the compilation caselaw. Headnotes are just short written works, authored by Thomson Reuters, so they could receive standalone, individual copyright protection. See 17 U.S.C. § 103. This distinguishes Thomson Reuters's copyright in its headnotes from the "thin," compilation-only copyrights in Ross's examples. So I must consider the alleged headnote copyright infringement at the level of each individual headnote, rather than at the level of the entire Westlaw compilation.

That said, Thomson Reuters’s allegedly original expression in its headnotes still reflects uncopyrightable judicial opinions. So the strength of its copyright depends on how much the headnotes overlap with the opinions. Closely hewing differs from copying: If a headnote merely copies a judicial opinion, it is uncopyrightable. But if it varies more than trivially, then Westlaw owns a valid copyright.

The parties dispute how Thomson Reuters develops its headnotes and how closely those headnotes resemble uncopyrightable opinions. Thomson Reuters points to evidence that its headnotes are original representations of its attorney-editors’ views—summarizing the most important case facts, highlighting key issues, and describing the holdings. Ross, though, presents evidence that Thomson Reuters’s protocols required headnotes to follow or closely mirror the language of judicial opinions. This leaves a genuine factual dispute about how original the headnotes are. And this fact will serve double duty: it affects the strength and extent of Thomson Reuters’s copyright, and it also goes to whether Ross was copying the headnotes or the opinions themselves.

In sum, I cannot decide the first element of Thomson Reuters’s copyright infringement claim at summary judgment.

### **B. As a matter of law, Ross actually copied at least portions of the Bulk Memos**

Next, Thomson Reuters must show that Ross (or LegalEase) “actually copied” its copyrighted work. There are two ways to show actual copying: Thomson Reuters can present direct evidence. Or it can present circumstantial evidence demonstrating that Ross or LegalEase had access to the copyrighted work and that their work contains similarities probative of copying.

Thomson Reuters presents both. LegalEase admitted to copying at least portions of the headnotes directly. As for circumstantial evidence, Ross does not dispute that LegalEase had access to Westlaw, which included access to headnotes. Though the similarities between Thomson Reuters’s and Ross’s work might not be substantial (that is a jury question), no reasonable jury could say that the similarities are not at least probative of some copying. And while Ross argues that any copying that occurred was miniscule in the grand scheme of the compilation, that framing misses the mark for the reasons given above. So Thomson Reuters has satisfied the actual-copying element as a matter of law.

### **C. Substantial similarity must go to the jury**

The last element of direct infringement is substantial similarity. Substantial similarity asks whether the ordinary observer, unless he set out to detect the disparities in the two works, would be disposed to overlook them, and regard their aesthetic appeal as the same. In other words, I ask whether an ordinary person would view the two works as basically the same.

This case features several wrinkles in the substantial-similarity analysis. First, the Bulk Memos could appear similar to Thomson Reuters’s headnotes because they share an underlying source: uncopyrightable judicial opinions. But I must determine whether Ross’s work is substantially similar to Thomson Reuters’s protected expression, not just the opinions. Second, we contextualize the ordinary-observer test. And here, the ordinary consumers of both parties’ products are lawyers. So I should be attuned to differences a lawyer might notice that a layperson might not. Finally, the Third Circuit has generally rejected the usefulness

of experts in answering the substantial-similarity question. I thus do not give much weight to the parties' dueling expert reports on this issue.

Substantial similarity is usually an extremely close question of fact, which is why summary judgment has traditionally been disfavored in copyright litigation.

*[Editor's note: The court found genuine factual disputes over a group of 1,019 questions that Ross asserts are nearly identical to judicial opinions.]*

In her report, the Ross expert said each of these 1,019 questions had high overlap with a headnote and that the headnote was not identical to opinion text. But she did not—and could not—take a position on whether the headnotes and questions were “substantially similar” under the ordinary-observer test. And more specifically, the report does not pinpoint how much similarity came solely from Thomson Reuters's protected expression.

Plus, Ross offers contrary evidence for these 1,019 entries. It shows that either the judicial opinion text is identical to the headnote or that the opinion text is more similar to the Bulk Memo question than the headnote is to the question. This supports the contention that similarity between Ross's and Thomson Reuters's work stems from uncopyrightable judicial opinions, rather than from Thomson Reuters's original expression.

Thomson Reuters objects that Ross did not disclose its expert's methodology. But substantial similarity is not especially scientific: the question boils down to “good eyes and common sense.” *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 684 (2014). This makes Ross's mode of argument valid. Because both sides have lobbed conflicting expert reports (which I give little weight anyways) at each other and because a reasonable jury could agree with either side, I must send the question of substantial similarity for these 1,019 entries to the jury, where it typically belongs.

## **D. All of Thomson Reuters's theories of infringement liability must go to trial**

### **1. Direct liability**

Thomson Reuters's theory of Ross's direct liability is uncontested: Ross hosted copies of the Bulk Memos on its servers, copied the content into its machine-learning “portal,” transmitted another copy to a different server, created more copies on employees' computers, then processed and labeled them by copying parts into another document. Simply hosting a copy on a server might not seem like copying, but it is. See *MAI Sys. Corp. v. Peak Comput. Inc.*, 991 F.2d 511 (9th Cir. 1993); *Nimmer*, *supra*, § 8.08(A).

The unstated premise of this theory is that Ross violated Westlaw's reproduction right by making copies of the Bulk Memos. So for Thomson Reuters to succeed on direct liability, LegalEase's Bulk Memos must be unauthorized copies of protected expression. For making a copy of a non-copy [*sic*] is not copyright infringement. But because whether the Bulk Memos copied protected expression depends on factual determinations the jury must make, I cannot resolve direct liability at summary judgment.

### **2. Contributory liability**



For Ross to be contributorily liable, Thomson Reuters must show that Ross (1) knew LegalEase was infringing and (2) materially contributed to or induced that infringement. The parties dispute both prongs.

At best, Thomson Reuters has strong evidence that Ross knew LegalEase was using Westlaw. But knowledge or even encouragement to use Westlaw is not enough. One might expect a legal-research project to be completed using Westlaw, but merely using the service is not infringement. Plus, Ross points to evidence that it did not know LegalEase was infringing and never specifically instructed LegalEase to use Westlaw. Thomson Reuters has not done enough to prove that Ross knew about and materially contributed to LegalEase's infringement. So I deny summary judgment on the contributory-liability theory.

### **3. Vicarious liability**

For vicarious liability, Thomson Reuters must show that Ross had “(1) the right and ability to supervise or control the infringing activity; and (2) a direct financial interest in such activities.” Taking the elements in reverse, Ross does not contest that it had a financial interest in the alleged copies—it used the Bulk Memos to train AI, its core product. But it does contest whether it could supervise LegalEase. The control element is a matter of “practical ability.” So the determination is often fact-intensive. Evidence needs to support a finding that the defendant was in a position to police the direct infringer. Thomson Reuters has testimony saying that Ross dictated LegalEase's practices. But Ross pushes back with evidence that LegalEase was secretive and resisted micromanagement. Thus, whether Ross had the “practical ability” to control LegalEase's “infringing activity” remains a disputed factual question for the jury to resolve.

## **III. Fair Use Must Go to a Jury**

The parties have cross-moved on Ross's fair-use defense. Fair use balances four factors: (1) the purpose and character of the use, (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 the copyrighted work. 17 U.S.C. § 107. The first and fourth factors are most important. See *Authors Guild v. Google, Inc.*, 804 F.3d 202, 213–14 (3d Cir. 2015).

Fair use is a mixed question of law and fact. Though applying the test “primarily involves legal work,” it requires “determination of subsidiary factual questions” about the copying or the marketplace. *Google LLC v. Oracle Am., Inc.*, 141 S. Ct. 1183, 1199 (2021). Here, all of this must go to a jury.

### **A. The purpose and character of the use will be determined by contested facts**

This first factor has two subparts: commerciality and transformativeness. (Bad faith is a minor subpart, also typically filed under this factor, and I will address it at the end.) Commercial use weighs against finding fair use, while transformative use weighs in favor. *Id.* at 218–20. And these considerations interact. “The more transformative the new work, the less will be the significance of ... commercialism....” *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579 (1994). Commerciality is straightforward: it asks whether the use was for profit. *Harper & Row Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 562 (1985). Transformativeness is less so: “a transformative use is one that communicates something new and different from the original or expands its utility, thus serving copyright's overall objective of contributing to public knowledge.” *Authors Guild*, 804 F.3d at 214.

Ross's uses were undoubtedly commercial. And one of its goals was to compete with Westlaw. Thomson Reuters contends that this commercial use weighs heavily against finding fair use. In support of this, it cites the Supreme Court's recent decision in *Andy Warhol Foundation for the Visual Arts, Inc. v. Goldsmith*, 143 S. Ct. 1258 (2023). There, the Court determined that the use in question was not fair largely by emphasizing its commercial nature. But I decline to overread one decision, especially because the Court recognized that "use's transformativeness may outweigh its commercial character" and that in *Warhol*, both elements pointed in the same direction. Plus, just two terms ago, in a technological context much more like this one, the Court placed much more weight on transformation than commercialism. *Google*, 141 S. Ct. at 1204 ("[A] finding that copying was not commercial in nature tips the scales in favor of fair use. But the inverse is not necessarily true, as many common fair uses are indisputably commercial."). So I focus on transformativeness.

Thomson Reuters paints a black-and-white picture on transformativeness: Westlaw is a legal-research platform that synthesizes the law; Ross used Westlaw's syntheses to build a legal-research platform that also synthesizes the law. Ross, on the other hand, presents a more nuanced account: Westlaw headnotes and key numbers annotate opinions for users. Ross wanted to build a search engine that "avoids human intermediated materials," meaning a user would simply enter a query and get a responsive quotation from a judicial opinion, no clicking around or commentary needed. Though Ross and Westlaw both help answer legal questions, Ross says it transformed the Westlaw headnotes beyond recognition.

Ross describes its process of transforming the Bulk Memos like this: First, it receives the Bulk Memos in its database. Then, it converts the plain-language entries into numerical data. Next, it feeds that data into its machine-learning algorithm to teach the artificial intelligence about legal language. The idea is that the artificial intelligence will be able to recognize patterns in the question-answer pairs. It can then use those patterns to find answers not just to the exact questions fed into it, but to all sorts of legal questions users might ask.

Ross says that the caselaw on "intermediate copying" most appropriately reflects its use. In those cases, the users copied material to discover unprotectable information or as a minor step towards developing an entirely new product. So the final output—despite using copied material as an input—was transformative. In *Sega Enterprises Ltd. v. Accolade, Inc.*, 977 F.2d 1510 (9th Cir. 1992), the defendant copied Sega's copyrighted software. But it did so only to figure out the functional requirements to make games compatible with Sega's gaming console. That functional information was unprotected, so the copying was fair use.

Similarly, in *Sony Computer Entertainment Inc. v. Connectix Corp.*, 203 F.3d 596 (9th Cir. 2000), the defendant used a copy of Sony's software to reverse engineer it and create a new gaming platform on which users could play games designed for Sony's gaming system. The court concluded that this was fair use for two reasons: the defendant created a wholly new product, notwithstanding the similarity of uses and functions between it and Sony's system, and the final product did not itself contain infringing material. The Supreme Court has cited these intermediate copying cases favorably, particularly in the context of "adapting the doctrine of fair use ... in light of rapid technological change." *Google*, 141 S. Ct. at 1198.

Thomson Reuters says the intermediate-copying cases are inapt. It argues that whereas in those cases, the copiers sought to study functionality or create compatibility, here Ross simply sought to train its AI by copying the creative decisions of Westlaw's attorney-editors precisely because it wanted to replicate

them. And it contends that Ross merely translated the headnotes into numerical data and that translation is “paradigmatic derivative work.”

But Ross says its AI studied the headnotes and opinion quotes only to analyze language patterns, not to replicate Westlaw’s expression. So the translation was only a minor step in a broader, transformative use. See *Sega*, 977 F.2d at 1514–15, 1518–19 (holding that, though programmers wrote down and translated Sega’s object code, these acts were a minor step towards a transformative use). If Ross’s characterization of its activities is accurate, it translated human language into something understandable by a computer as a step in the process of trying to develop a “wholly new,” albeit competing, product—a search tool that would produce highly relevant quotations from judicial opinions in response to natural language questions. This also means that Ross’s final product would not contain or output infringing material. Under *Sega* and *Sony*, this is transformative intermediate copying.

So whether the intermediate copying caselaw tells us that Ross’s use was transformative depends on the precise nature of Ross’s actions. It was transformative intermediate copying if Ross’s AI only studied the language patterns in the headnotes to learn how to produce judicial opinion quotes. But if Thomson Reuters is right that Ross used the untransformed text of headnotes to get its AI to replicate and reproduce the creative drafting done by Westlaw’s attorney-editors, then Ross’s comparisons to cases like *Sega* and *Sony* are not apt. Again, this is a material question of fact that the jury needs to decide.

Finally, the parties clash over whether Ross’s use was in bad faith. But bad faith is at most a minor consideration in the fair use analysis. Indeed, the Supreme Court has expressed skepticism about whether it has any role to play at all. *Google*, 141 S. Ct. at 1204. And bad faith is particularly unimportant here. Thomson Reuters argues that Ross demonstrated bad faith by initially asking to license Westlaw, being denied, and then hiring LegalEase to illicitly gain access to it. But the Supreme Court has foreclosed this line of reasoning, explaining that “[i]f the use is otherwise fair, then no permission need be sought or granted. Thus, being denied permission to use a work does not weigh against a finding of fair use.” *Campbell*, 510 U.S. at 585 n.18. So I can ignore bad faith. And the first fair use factor comes down to the jury’s finding of transformativeness.

## **B. The nature of the copyrighted work favors fair use, but factual questions remain**

The second factor asks about the nature of the copyrighted work. The work gets more protection, and copies are less likely to be fair, if it is near the “core of intended copyright protection.” But the scope of fair use is greater when “informational” as opposed to more “creative” works are involved.” So although judges should not act as critics, we consider whether the work was creative, imaginative, and original. That said, the second factor has rarely played a significant role in the determination of a fair use dispute. *Authors Guild*, 804 F.3d at 220.

The analysis for this factor mirrors much of my earlier discussion of the validity and strength of Thomson Reuters’s copyright. As explained above, this depends largely on factual questions that the jury must decide, so I cannot resolve this factor at summary judgment.

But I will note here that the Key Number System is far from the core of copyright. Even if the system involves making creative decisions about how to organize opinions and other material and is an original method of organization, it is merely a way to arrange “informational” material. So the system inherently involves

significantly less creative or original expression than traditionally protected materials, such as literary works or visual art, and is much less “imaginative.”

The headnotes are closer, but still not especially close to the core. The law generally recognizes a greater need to disseminate factual works than works of fiction or fantasy. *Harper*, 471 U.S. at 563. And though editors may have made creative choices about which points of law to summarize, how to summarize them, and where to attach the headnote, those choices are constrained. In general, the headnotes will flag the most salient points of law, largely track the language of the opinion, and be placed at the beginning of a paragraph. This approach is akin to news reporting, which, though protected, must be carefully separated from the unprotected underlying facts. So, although a jury must decide how closely headnotes reflect the language of judicial opinions and, in turn, precisely how much protection they are afforded, they are not at the core of intended copyright protection. Thus, although an ultimate decision on factor two must wait until trial, this factor seems to favor fair use.

### **C. The amount and substantiality of the copying depends on the nature of Ross’s AI outputs**

Third, I consider the amount of copying as well as whether the copying took the original work’s “heart.” *Campbell*, 510 U.S. at 589.

Defining the work at issue matters in determining the amount of copying done. If we define it at the level of each headnote, the copying was allegedly completed for some 25,000 headnotes. If we define it at the level of the compilation, however, the copying was less substantial, though headnotes likely represent the “heart” of Westlaw’s expression.

And defining the use is again important because even a small amount of copying may fall outside of the scope of fair use where the excerpt copied consists of the heart of the original work’s creative expression. Conversely, copying a larger amount can still be fair use where the material copied captures little of the material’s creative expression. Plus, the “substantiality” factor will generally weigh in favor of fair use where the amount of copying was tethered to a valid, and transformative, purpose. In particular, verbatim intermediate copying has consistently been upheld as fair use if the copy is not revealed to the public. *Authors Guild*, 804 F.3d at 221.

Here, the best definition is at the level of each headnote. As mentioned, the compilation registration also covers individually copyrightable materials. And each headnote counts. But the heart of each headnote is its original expression, not its link to the part of the opinion it summarizes. So if Ross’s AI works the way that it says, it is likely fair use because it produces only the opinion, not the original expression. “It cannot be said that a revelation is ‘substantial’ in the sense intended by the statute’s third factor if the revelation is in a form that communicates little of the sense of the original.” *Authors Guild*, 804 F.3d at 223.

Yet this factor also requires jury fact-finding. How Ross’s AI works and what output it produces remain disputed. The parties also fight over whether the use was “tethered to a valid purpose.” Westlaw says Ross copied far more than it needed. Ross says it needed a vast, diverse set of material to train its AI effectively. Though Ross need not prove that each headnote was strictly necessary, it must show that the scale of copying (if any) was practically necessary and furthered its transformative goals. So the third factor hinges on the answers to these disputed factual questions which the jury needs to resolve.

#### **D. I cannot yet determine the effect of the use upon the market for the work**

Finally, factor four asks whether the use had a “meaningful or significant effect” on the value of the original or its potential market. *Authors Guild*, 804 F.3d at 224. And this inquiry must take account not only of harm to the original but also of harm to the market for derivative works. Yet not all losses are created equal. I must also consider the “source of the loss.” *Google*, 141 S. Ct. at 1206. Again, we come back to the fundamental premise that copyright protects expression. If the source of the loss is not that the original’s expression is being appropriated, “the type of loss of sale envisioned above will generally occur in relation to interests that are not protected by the copyright.” *Authors Guild*, 804 F.3d at 224.

And transformativeness feeds into this factor as well. “The more the copying is done to achieve a purpose that differs from the purpose of the original, the less likely it is that the copy will serve as a satisfactory substitute for the original.” *Id.* at 223 (citing *Campbell*, 510 U.S. at 591). Finally, in evaluating market impact, courts must pay special attention to “the realities of how technological works are created and disseminated.” *Google*, 141 S. Ct. at 1199.

Here, those “realities” are disputed. Thomson Reuters claims three potential markets, but they boil down to two: the market for Westlaw itself as a legal research platform and the market for its data. It says Ross’s plan all along was to create a substitute for Westlaw. And it says that this plan worked, as some Ross customers cancelled their Westlaw subscriptions. As for the market for its data, Thomson Reuters says there is a traditional licensing market and a burgeoning one for AI training data. It argues that it lost traditional licensing revenue because Ross obtained Westlaw content through LegalEase. And it suggests that there is a potential market for Westlaw’s training data; after all, Ross paid LegalEase over a million dollars for the Bulk Memos. That burgeoning market would be harmed by copying like Ross’s.

One fact is undisputed here: Ross and Thomson Reuters both compete in the market for legal research platforms. But that alone does not reveal whether Ross’s AI product is a substitute for Westlaw. Ross’s use might be transformative, creating a brand-new research platform that serves a different purpose than Westlaw. If so, it is not a market substitute. Ross also argues that Thomson Reuters has never participated—and would never participate—in this market for its training data. Because a reasonable jury could find for either side on these factual market-impact questions, I cannot resolve them at summary judgment.

Finally, we must take into account the public benefits the copying will likely produce. *Google*, 141 S. Ct. at 1206. And we are free to consider the public benefit resulting from a particular use notwithstanding the fact that the alleged infringer may gain commercially. *Sega*, 977 F.2d at 1523. This public benefit need not be direct or tangible, but may arise because the challenged use serves a public interest.

The parties provide competing narratives of public benefit. Ross’s research platform might increase access to the law at a lower cost. Or it might just reduce the incentives for Thomson Reuters, and similarly situated entities, to create content like headnotes in the future.

Deciding whether the public’s interest is better served by protecting a creator or a copier is perilous, and an uncomfortable position for a court. Copyright tries to encourage creative expression by protecting both. Here, we run into a hotly debated question: Is it in the public benefit to allow AI to be trained with copyrighted material?

The value of any given AI is likely to be reflected in the traditional factors: How transformative is it? Can the public use it for free? Does it discourage other creators by swallowing up their markets? So an independent evaluation of the benefits of AI is unlikely to be useful yet, even though both the potential benefits and risks are huge. Suffice it to say, each side presents a plausible and powerful account of the public benefit that would result from ruling for it. So a jury must decide the fourth factor—and the ultimate conclusion on fair use.

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## Check Your Understanding – Ross

**Question 1.** In Ross, which of the following precedent is likely to prove least helpful to Ross’s defense?



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**Question 2.** In Ross, the court denied summary judgment in order to allow the parties to present additional factual evidence. Which of the following facts would be particularly helpful to Ross, assuming the fact could be proven?



An interactive H5P element has been excluded from this version of the text. You can view it online here: <https://holmancopyright.lawbooks.cali.org/?p=190#h5p-153>

## FOOTNOTES:

<sup>1</sup> OpenAI, *Introducing ChatGPT* (November 30, 2022), available as of November 16, 2024 at <https://openai.com/index/chatgpt/>.

<sup>2</sup> In pursuing these arguments, plaintiff elaborates on his development, use, ownership, and prompting of the AI generating software in the so-called “Creativity Machine,” implying a level of human involvement in this case entirely absent in the administrative record. As detailed, *supra*, in Part I, plaintiff consistently represented to the Register that the AI system generated the work “autonomously” and that he played no role in its creation, and judicial review of the Register’s final decision must be based on those same facts.

[3](#) In any event, plaintiffs attempts to cast the work as a work-for-hire must fail as both definitions of a “work made for hire” available under the Copyright Act require that the individual who prepares the work is a human being. The first definition provides that “a ‘work made for hire’ is ... a work prepared by an employee within the scope of his or her employment,” while the second qualifies certain eligible works “if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire.” 17 U.S.C. § 101 (emphasis added). The use of personal pronouns in the first definition clearly contemplates only human beings as eligible “employees,” while the second necessitates a meeting of the minds and exchange of signatures in a valid contract not possible with a non-human entity.

[4](#) The Copyright Review Board is a body within the U.S. Copyright Office that reviews certain types of cases, such as appeals related to refusals of registration or requests for reconsideration.

[5](#) Plaintiffs’ second theory of direct infringement – that Stable Diffusion is a “derivative work” because it contains compressed copies of billions of copyrighted images and by incorporating Stable Diffusion into DreamUp, DeviantArt is liable for producing works that have been “transformed” based on plaintiffs’ works, Dkt. No. 65 at 13-14 – fails for the same reasons.

[6](#) See also 17 U.S.C. § 101: “A ‘derivative work’ is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a ‘derivative work’”