

10 Things In-House Counsel Should Know About Copyright Law

A Panel Discussion Featuring:

Hillary Schroeder, Director, Global Trademarks and Copyrights, Juul Labs

Brendan Kehoe, Associate General Counsel, Spotify

Samuel Lewis, Co-Chair, Copyright Practice, Cozen O'Connor





Practical Question #1

Does Copyright Law protect ideas, short phrases or slogans?

Practical Answer #1

No. Copyright protects expression of an idea, but not the idea itself.

- Expression must be fixed in a tangible medium.
- Expression must be original, but not necessarily novel.
- No protection for “facts” or certain other types of information.
- To protect ideas, look to Patent or Trade Secret Law.
- To protect slogans and short phrases used in connection with a business, look to Trademark Law.

Authority for Copyright Law

- U.S. Constitution:

To promote the Progress of Science and useful Arts, by securing for a limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Article I, Section 8



Major Copyright Acts

- Copyright Act of 1790 (enacted May 31, 1790)
 - 14 year term, renewable for an additional 14 years.
- Copyright Act of 1831
 - 28 year term, renewable for an additional 14 years
- Copyright Act of 1909
 - 28 year term, renewable for an additional 28 years
- Copyright Act of 1976
 - Complex Term:
 - Life of the Author plus 50 (now 70) years.
 - For works made for hire, 120 years from creation or 95 years from first publication.

Copyright Exclusive Rights

- to make copies of a copyrighted work;
- to prepare derivative works based upon the copyrighted work;
- to distribute (publicly) copies of the copyrighted work;
- to perform the copyrighted work publicly (applies to literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works);
- to display the copyrighted work publicly; and
- to perform the copyrighted work publicly by means of a digital audio transmission (applies to sound recordings).

Additional Rights

- **Visual Artists Rights Act (VARA):**
 - Prohibits alteration, mutilation or destruction of certain types of works; permits author to prevent use of his or her name as author of a work.
- **Digital Millennium Copyright Act (DMCA):**
 - Prohibits circumvention of copyright protection systems (remedies include actual damages or statutory damages between \$200 and \$2,500 per act of circumvention);
 - Prohibits providing false copyright management information and removal or alteration of copyright management information (remedies include actual damages or statutory damages between \$2,500 and \$25,000).
 - Established a cause of action for “misrepresentation” in connection with a takedown notice.

Music Modernization Act

- Mechanical Licenses / Compulsory Licenses
- Changes beginning January 1, 2021:
 - Mechanical Licensing Collective
 - Digital Licensee Coordinator
 - No impact on rates negotiated previously with PROs





Practical Question #2

If a photograph, video, or music can be found on the Internet, is it in the public domain?

Practical Answer #2

Different rules apply depending upon when the work was created and/or published:

- Copyrightable works created before January 1, 1978
 - Opt-in system.
 - Copyright notice (e.g., ©) required, else work could fall into the public domain.
- Term Extension Act prevented many works from falling into the public domain.
- Copyrightable works created on or after January 1, 1978
 - Opt-out system (protection is *mostly* automatic).
 - Copyright notice required on published works between January 1, 1978 and March 1, 1989; not required now.

Copyright Infringement

Basic Elements:

- Ownership of a Valid Copyright
- Violation of One (or More) of the Exclusive Rights
- Applies to three types of infringement:
 - Direct infringement
 - Contributory infringement
 - Vicarious liability

Key Tests:

- Access and Substantial Similarity (absent direct evidence of copying)
- Abstraction-Filtration-Comparison (most common with computer software and non-literal elements)

Don't Bet On Going To Trial

Most copyright infringement cases settle:

- Of the approximately 4,500 copyright infringement cases filed in the U.S. in 2005, only 40 or so (or about 0.9% - less than one percent) went to trial.
- The rest were either settled or resolved prior to trial (e.g., dispositive motion).





Practical Question #3

Do you need a copyright registration in order to bring suit for copyright infringement?

Practical Answer #3

Registration is effectively the key to the Courthouse

- Supreme Court decision in *Fourth Estate* (2019) confirmed that 17 U.S.C. Sec. 411(a) means what it says:

“Except for an action brought for a violation of the rights of the author under section 106A(a)...no civil action for infringement of the copyright in any United States work shall be instituted until ... registration of the copyright claim has been made....”
- Ensures that public (eventually) will be able to benefit when the material falls into the public domain.

Average Cost: Copyright Infringement Suit

\$ At Risk	End of Discovery	Post-Trial, All Costs
Less than \$1MM	\$150,000	\$550,000
\$1MM-\$10MM	\$1,000,000	\$1,750,000
\$10MM-\$25MM	\$1,500,000	\$3,500,000
More than \$25MM	\$2,500,000	\$6,500,000

Source: *AIPLA Report of the Economic Survey 2019*

Remedies for Infringement

- Damages
 - Actual Damages
 - Profits Attributable To The Infringement
 - Statutory Damages* (\$750-\$30,000; Court may increase to \$150,000 for willful infringement; may also reduce to \$200)
- Injunctions
- Impoundment / Destruction
- Attorney's Fees*





Practical Question #4

Does a Rule 68 Offer of Judgment allow the prevailing party in a copyright infringement action to recover attorney's fees?

Practical Answer #4

In some circuits, yes, if the party making a Rule 68 Offer of Judgment prevails in the case.

- While Rule 68 Offers only entitle the offering party to recover costs, section 505 allows the “recovery of full costs” and authorizes courts to award reasonable attorney’s fees “as part of the costs.”
- Awards under Rule 68 are mandatory, not discretionary.
- To be assured of an award, the offering party must prevail in the case (not just with regard to the offer).



Practical Question #5

Is a copyright owner always entitled to recover attorney's fees and statutory damages?

Practical Answer #5

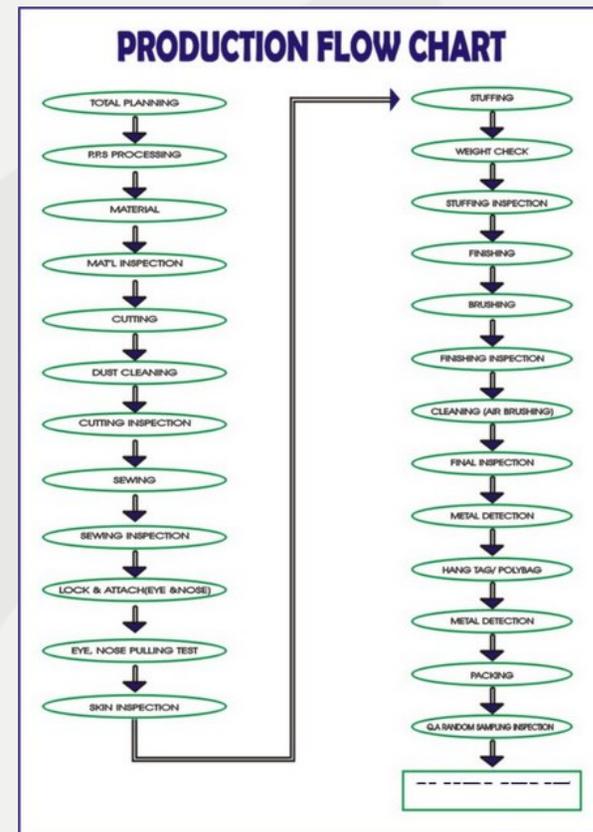
Timely registration is the key to statutory damages and fees.

- Timely registration (earlier of 3 months after first publication or 1 month after owner learned of the infringement) entitles the owner to statutory damages and attorney's fees.
- Untimely registration has no effect on ongoing infringement.
- Failure to timely register limits recovery to actual damages and any additional profits of the infringer which “are ***attributable to the infringement*** and not taken into account in computing the actual damages.”

Tracking Assets

Key to timely registration is integration of legal and creative processes:

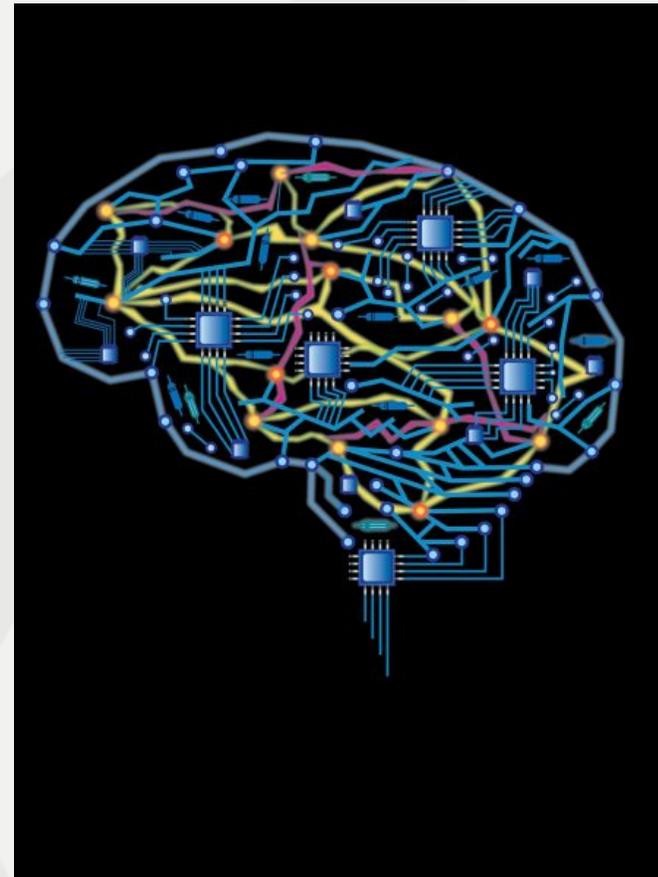
- Benefits of prompt registrations:
 - Reduces expenses.
 - Simplifies registration process.
- Suggestions for achieving integration.
- Suggestions for tracking assets.



Registration Challenges

New types of works can present challenges for registration:

- Copyright Office recently began allowing a new group registration option for short online literary works (blog entries, social media posts and web articles).
- Podcasts still typically fall under the Performing Arts category of works.
- Strategic considerations for registration.





Practical Question #6

If you pay to have a copyrightable work created, do you own it?

Practical Answer #6

Simply paying for a copy of a work does not give the purchaser ownership of the copyrights:

- Payment in exchange for the receipt of a copyrightable work generally gives rise to an implied license. It is a non-exclusive right to use the work, but not to distribute copies, display publicly, or to create derivative works.
- Ownership originally vests in the author (or in cases of works made for hire, the employer for whom the work was prepared).
- Transfer of ownership must be in writing and signed by the owner.

Implied License

Implied licenses do not require payment and arise from parties' conduct:

- Three elements for an implied license (most common paradigm):
 - 1) a party creates a work at another person's request;
 - 2) delivers the work to that person; and
 - 3) intends that the person copy and distribute the work.





Practical Question #7

If paying someone to create a work gives rise to an implied license, then what is a work made for hire?

Practical Answer #7

A “work made for hire” is –

- (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 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, an 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.***

Defenses

- ***Fair Use* (§107)**
- Lack of Copyrightable Subject Matter
- First Sale Doctrine (§109)
- Lack of Notice
- Fraud
- Misuse
- Laches
- DMCA Safe Harbor (§512)
- Statute of Limitations (§507)



Is Fair Use Fair?

- Fair use is recognized as an exception to the exclusive rights for “purposes such as criticism, comment, news reporting, teaching (including multiple copies for classroom use), scholarship, or research.”



Fair Use Factors

- 17 U.S.C. §107 includes four factors to be considered:
 - (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 on the use upon the potential market for or value of the copyrighted work.

Is Fair Use Fair?

Problems with the Fair Use factors:

- Difficult to apply factors to real-world situations;
- They provide very little (or no) guidance as to what constitutes fair use or what constitutes infringement;
- Different courts can review the same facts and reach different results.



Is Fair Use Fair?

- Richard Prince copied photographs from Patrick Cariou's *Yes Rasta* book and modified (to varying degrees) images. Second Circuit held 25 of 30 works to be fair use. Remanded with instructions:



“We believe the district court is best situated to determine, in the first instance, whether such relatively minimal alterations render[s] [the 5 works] fair uses (including whether the artworks are transformative)....”

Is Fair Use Fair?

- Ninth Circuit affirmed fair use finding in favor of band Green Day in connection with use/alteration of Derek Seltzer's *Scream Icon* artwork:



“With the spray-painted cross, in the context of a song about the hypocrisy of religion, surrounded by religious iconography, [Green Day’s] video backdrop using *Scream Icon* conveys ‘new information, new aesthetics, new insights and understandings’ that are plainly distinct from those of the original piece.”



Practical Question #8

How much of an article can be copied, and how many seconds of music can be copied, before the copying ceases to be a fair use?

Practical Answer #8

There are no bright line rules for determining whether copying constitutes “fair use.”

- “The drafters [of the Copyright Act] resisted pressures from special interest groups to create presumptive categories of fair use, but structured the provision as an affirmative defense requiring a case-by-case analysis.”
- Supreme Court has cautioned against bright line rules, emphasizing instead that all of the factors “are to be explored, and the results weighed together, in light of the purposes of copyright.”



Practical Question #9

If a photograph or music is published on the Internet, can it be copied or used elsewhere provided that attribution / credit is given?

Practical Answer #9

Providing attribution / credit does not directly influence whether a use is a “fair use.”

- Attribution is not expressly included in the fair use factors.
- Attribution may help create a market for a work, which could ultimately impact the fourth fair use factor, attribution alone is not sufficient to avoid liability for unauthorized use.
- Exception: if the work is licensed in such a way to permit use with attribution, then use need not be a fair use to avoid liability for infringement; however, use not in compliance with the license is an infringing use.

Creative Commons

Licensing scheme associated with certain works that may be available on the Internet:

License Conditions

Creators choose a set of conditions they wish to apply to their work.



Attribution
by

You let others copy, distribute, display, and perform your copyrighted work — and derivative works based upon it — but only if they give credit the way you request.



Share Alike
sa

You allow others to distribute derivative works only under a license identical to the license that governs your work.



Non-Commercial
nc

You let others copy, distribute, display, and perform your work — and derivative works based upon it — but for non-commercial purposes only.



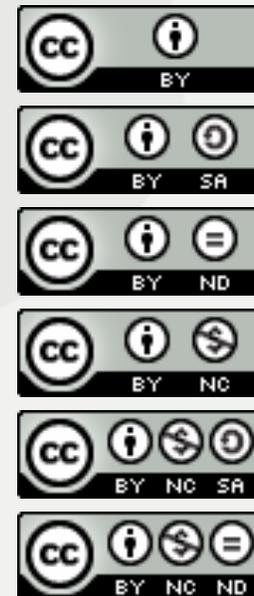
No Derivative Works
nd

You let others copy, distribute, display, and perform only verbatim copies of your work, not derivative works based upon it.

Creative Commons

Look for “CC” in a circle plus additional icons

- It may not always be possible to determine if a work is licensed under Creative Commons.
- Even where a work is licensed under Creative Commons, it is important to review the actual license terms to determine if the intended use will comply with the license.





Practical Question #10

Is copying for educational or non-commercial purposes always fair use?

Practical Answer #10

No. The purpose and character of the use impacts only one of the fair use factors.

- If copying for educational purposes was always fair use, there would be no incentive to publish text books.
- *Cambridge University Press v. Patton/Albert*: Georgia State Univ. made 6,700 works available through its e-reserves system and website.
- District court originally ruled that almost all alleged infringements were fair use; reversed (twice) on appeal.
- “[D]istrict court [instructed] to evaluate the four [fair use] factors qualitatively, not quantitatively, and to take care to consider them holistically ‘in light of the purposes of copyright.’”
- Practical tip: certain types of uses (advertising and marketing) are less likely to be justified as fair use.

On the Horizon: Supreme Court Revisits Fair Use

***Google v. Oracle America* argued October 7, 2020; to be decided next term.**

- Impact for software development companies: Decision will determine, *inter alia*, whether use of another company's advanced programming interface (API) constitutes fair use (Federal Circuit held it did not constitute fair use as a matter of law).
- Impact for the rest of us: Decision may determine whether we have seen the limits of fair use.
- Taking sides:
 - Oracle: Motion Picture Association (minus Netflix), Dolby Laboratories, News Media Alliance, Association of American Publishers
 - Google: IBM, Microsoft, Center for Democracy and Technology, the Electronic Frontier Foundation (EFF).

Contact Information

Hillary Schroeder

Juul Labs

hillary.schroeder@juul.com

Brendan Kehoe

Spotify

brendank@spotify.com

Samuel A. Lewis

Cozen O'Connor

slewis@cozen.com

