

What In-House Counsel Needs to Know About Copyright Law

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Agenda

- Copyright 101 / Basic Overview
- Practical Guidance
 - Copyright Notice ©, Benefits of Registration, Ownership, Fair Use, etc.
- Demand Letters / Copyright Litigation
- User Generated Content
- Recent Updates / Select Cases
- NFTs
- Q&A

Copyright Overview

ORIGINAL WORKS OF AUTHORSHIP FIXED IN A TANGIBLE MEDIUM

- Expression must be fixed in a tangible medium (can protect a literary, musical, dramatic, choreographic, pictorial or graphic, audiovisual, architectural work, sound recordings, etc.)
- Expression must be original, but not necessarily novel.
- No protection for “facts” or certain other types of information.
 - Ideas - Patent or Trade Secret Law.
 - Slogans and short phrases - Trademark Law.
- Duration: For works created on or after January 1, 1978, the term of copyright is the life of the author plus seventy years after the author's death.
- For works made for hire and anonymous works, the duration of copyright is 95 years from publication or 120 years from creation, whichever is shorter.

Copyright Exclusive Rights

- Copyright Act, Title 17 of the *United States Code*
- Effectively a “bundle of rights,” granted by statute, that grants the author of an **original work** of authorship **fixed in a tangible medium** of expression, the following rights:
 - To reproduce the work;
 - To prepare derivative works based upon the work;
 - To distribute copies or phonorecords of the work to the public by sale or transfer, rental, lease or lending;
 - To perform the work publicly (if a literary, musical, dramatic, pantomime or choreographic work);
 - To display the work publicly;
 - To perform the work publicly by means of a digital audio transmission (for sound recordings only).

The Big Questions!

- How do we avoid copyright infringement/monetary payments?
- At a minimum, how do we mitigate risk, limit exposure, and reach reasonable settlements?

What is Needed for a Successful Copyright Infringement Claim

- Copyright owner must establish (1) ownership of a valid copyright, and (2) copying of the original elements of the copyright.
- Test for copyright infringement:
 - Access?
 - Substantial similarity?
- Not all copyright protected works are created equal
- “Thick” or “Thin” protection
 - Screenplay versus phone book
 - What is the scope of protection in the original work?

How to Avoid Infringement Claims

- Significant exposure: injunctive relief, damages (including potential statutory damages and attorney's fees)
- Be proactive and educate employees
- Review all third party content that the business plans to use (indemnification clauses?)
- Use original works of authorship
- **Better Safe than Sorry**
- To play it safe, only copy if:
 - You have permission from the owner or a license
 - Owned by the company
 - 100% sure the work is not copyright protected (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*

Training

- In-house attorneys should train all content creation teams on proper use of photos, videos, songs, etc. Why?
 - Make them aware of photo/video licenses
 - Review understanding of fair use and emphasize that they exercise caution (have them check with you before posting)
 - Mitigate legal risks (demand letters and complaints) and bad PR
 - Copyright trolls will find you and often will sue prior to sending cease and desist letter
 - Give them resources for where to find images that are acceptable



Practical Question #1

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

Practical Answer #1

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.

“Public Domain”

- Works that are either:
 - Not copyrightable
 - E.g., ideas, processes, facts, recipes
 - Out of copyright
 - Copyright has expired
 - Donated to the public domain
 - Examples: Linux (hard to donate to the public domain)
- Online does NOT mean free to use
- Open Source does not mean free to use
- Beware of “public domain” works



Practical Question #2

If you receive automatic copyright protection and registration is not required, why take the extra step to register your work with the U.S. Copyright Office?

Practical Answer #2 – Benefits of Registration

- Copyright is “automatic” in that it exists as soon as an original work of authorship is fixed in a tangible medium.
- However, 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....”

Statutory damages, attorneys' fees, and costs for post-registration infringement

- Early registration also enables a copyright owner to seek statutory damages, attorneys' fees, and costs for infringement that occurs after the effective date of registration.
- Under the Copyright Act, an infringer is liable for either (1) actual damages and any additional profits of the infringer, or (2) statutory damages.
- Statutory damages are sometimes preferable because actual damages and additional profits can be difficult to prove.
- However, statutory damages—as well as attorneys' fees and costs of the litigation—are available only for infringement that commenced *after* the effective date of registration. 17 U.S.C. § 412.

Remedies for Infringement

- 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
- Attorney's Fees*

How are statutory damages calculated?

- Reasonable and discretionary
- Timely registration is the key to statutory damages and fees.



Other Benefits of Registration

- Registration is a prerequisite for obtaining exclusionary relief from the International Trade Commission.
- Copyright registration holders may record their copyright with the U.S. Customs and Border Protection to stop infringing copies at the border.
- Copyright registration creates a public record and puts the world on notice.

Proper Use in Context

Applying a copyright notice is not necessary to claim copyright protection, but provides legal benefits (i.e., provides notice to third parties, prevents third parties from claiming unknowing infringement)

To apply copyright notices:

- Place legibly (no microprint)
- In a prominent/visible place
 - Bottom of marketing materials
 - First inside page or back cover
- (Copyright or ©) (year of first publication) (name of copyright owner)



Practical Question #3

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

Practical Answer #3

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.
- 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.***

What to do if you receive a demand letter or get sued?

- Remain calm and review the letter/complaint – the claimed damages are likely grossly inflated
 - What work(s) are the subject of the complaint?
 - Be objective and ask yourself – is it copyright infringement? Exact copy or substantial similarity?
 - Consider reaching out to outside counsel for second opinion/response
- Check your business insurance policy (If covered, contact immediately)
- If you have any questions whether your use is infringing and removal is a possible option, remove immediately
- Do you have any defenses available?
- Is their mark registered?
- Can you reach a quick and reasonable settlement? How to determine a fair counter offer?
 - “Copyright Trolls”, Contingent Fee Arrangements, Statutory Damages
 - If liable, consider an offer of judgment early (especially if settlement demands remain unreasonable)

Rule 68. Offer of Judgment

(a) **MAKING AN OFFER; JUDGMENT ON AN ACCEPTED OFFER.** At least 14 days before the date set for trial, a party defending against a claim may serve on an opposing party an offer to allow judgment on specified terms, with the costs then accrued. If, within 14 days after being served, the opposing party serves written notice accepting the offer, either party may then file the offer and notice of acceptance, plus proof of service. The clerk must then enter judgment.

(b) **UNACCEPTED OFFER.** An unaccepted offer is considered withdrawn, but it does not preclude a later offer. Evidence of an unaccepted offer is not admissible except in a proceeding to determine costs.

(c) **OFFER AFTER LIABILITY IS DETERMINED.** When one party's liability to another has been determined but the extent of liability remains to be determined by further proceedings, the party held liable may make an offer of judgment. It must be served within a reasonable time—but at least 14 days—before the date set for a hearing to determine the extent of liability.

(d) **PAYING COSTS AFTER AN UNACCEPTED OFFER.** If the judgment that the offeree finally obtains is not more favorable than the unaccepted offer, the offeree must pay the costs incurred after the offer was made.

- 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).

Defenses

Fair Use (§107)

Lack of Copyrightable Subject Matter

First Sale Doctrine (§109)

Lack of Notice

Fraud

Misuse

Laches

DMCA Safe Harbor (§512)

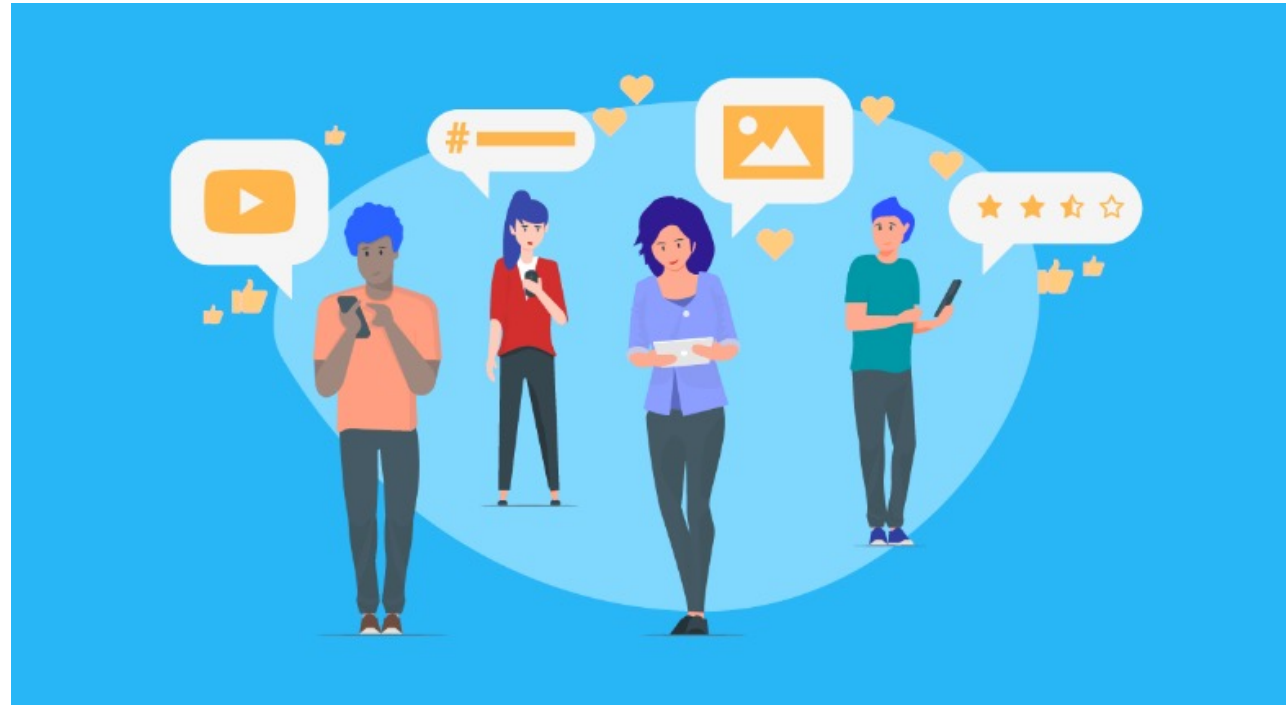
Statute of Limitations (§507)

User-Generated Content

What is User Generated Content/UGC?

Publicly-viewable content produced by a user of a website/app rather than by the business behind that website/app.

- Text
- Images
- Posts
- Blogs
- Reviews
- Comments
- Videos
- Audio



Pros and Cons of UGC?

PROS

Customer engagement

Free advertisement

Free ideas/suggestions

Builds brand awareness

Improves search engine ranking

CONS

Many potential legal pitfalls and risks

UGC – Ownership Issues

Just because someone tags your company in an image, it doesn't mean that you have approval to use that image for marketing or commercial purposes.

Generally the photographer has ownership rights (copyrights) in the photo

HOWEVER, additional permission is needed IF:

UGC – Ownership Issues (continued)

Image includes other people

Triggering right of publicity and privacy rights



UGC – Ownership Issues

Image includes third-party copyrights

Adrian Falkner vs. General Motors



7.7 You agree that Content you submit to the Service will not contain any third party copyright material, or material that is subject to other third party proprietary rights (including rights of privacy or rights of publicity), unless you have a formal licence or permission from the rightful owner, or are otherwise legally entitled, to post the material in question and to grant YouTube the licence referred to in paragraph 8.1 below.

UGC – Ownership Issues

Image includes third-party trademarks



UGC – Passive Consent

Relying on the Terms of Service of social media platforms

- The Terms generally give the platform broad permission to share and display content that's posted on *their* platforms, **but unlikely to offer protection against 3rd party claims** (see *AFP v. Morel*, 10 Civ. 02730 (AJN) (S.D.N.Y. Jan. 14, 2013))



: allows company using Twitter's API to identify and access tweets and grants that company a license to "copy a reasonable amount of and display" the tweets through company's own services.

: the user grants Twitter "a worldwide, non-exclusive, royalty-free license (with the right to sublicense) to use, copy, reproduce, process, adapt modify, publish transmit, display and distribute such Content in any and all media or distribution methods (now known or later developed)."



: the user grants Instagram "a non-exclusive, royalty-free, transferable, sub-licensable, worldwide license to host, use, distribute, modify, run, copy, publicly perform or display, translate, and create derivative works of your content (consistent with your privacy and application settings)."

UGC – Passive Consent (continued)

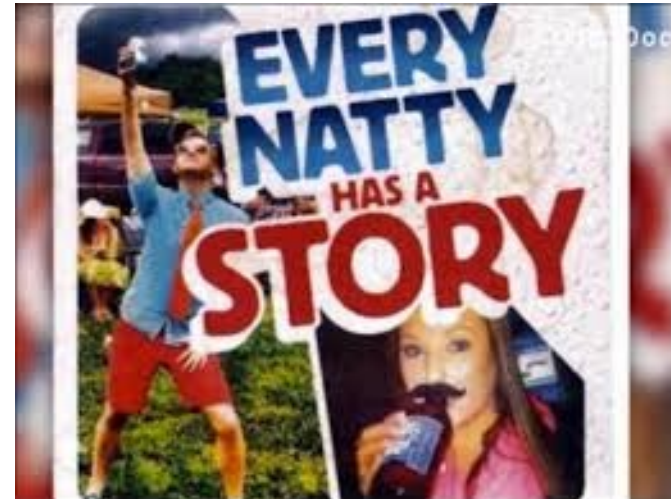
Solely obtaining photo credit

Assuming participation in contest or sweepstakes is consent

Creating brand hashtag and encouraging consumers to use it

Still BEST practice to get explicit consent! WHY?

Kayla Kraft vs. Anheuser-Busch (“Natty Ice” lawsuit)



UGC – Express Consent

Remember most people are happy to allow companies to use / repost their content!



UGC – Express Consent



rundashie

Follow

rundashie L🐾VE
#goldendoodlesofinstagram
#doodlesofinstagram #dailydog
#dogsofinstagram #sonyalpha #sonyimages
#sonyphotography #sonylenses50f18

_winniethedoodle Love!

petsmart Hi @rundashie, such a cute photo! We'd love to share it on our accounts. Do we have your permission to share it on our social channels? We will give you credit in the caption. If this is ok, please reply #YesPetSmart

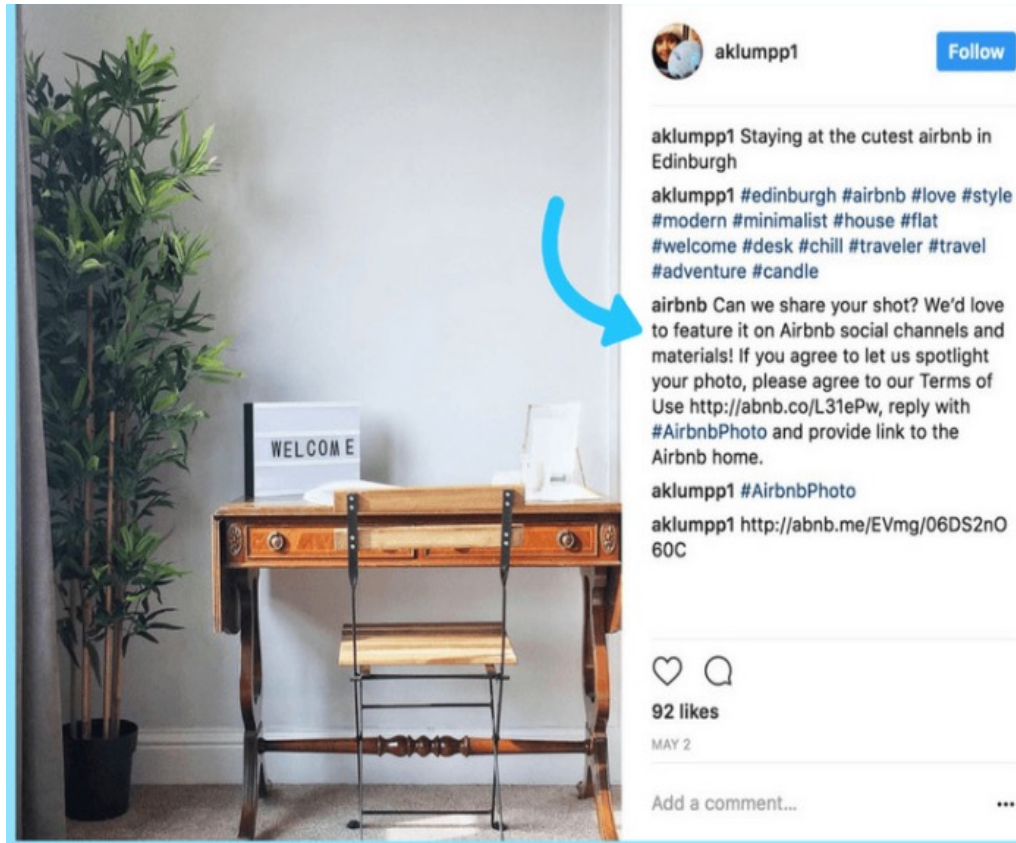
rundashie @petsmart #YesPetSmart

PetSmart

Request express consent of photographer and anyone in photo

Give photo credit in any repost

UGC – Express Consent



Airbnb

- Obtain express consent
- Confirm acceptance of company's Terms of Use
- Explain how company plans to use the UGC
- Give photo credit in any repost

UGC Tips

Create clear policy and guidelines for UGC

- Include in Terms of Service
 - Permitted and prohibited uses
 - Express License grants
 - Indemnification
 - Ownership of derivative works
 - Take-downs and reporting infringement
 - DMCA compliance
- Create clear internal policy and guidelines for your employees
- Carefully review social media platforms' terms regarding UGC

UGC Tips (continued)

- Consider investing in Digital/Advanced Rights Management (DRM or ARM) tools & software if you rely heavily on UGC
- Consider having someone to exclusively handle UGC
- Evaluate use of UGC against potential risks (hijacking)
- Be clear with UGC owners as to how you plan to use their UGC – never monetize without express consent!



Recent Copyright Updates and NFTs

Fair Use

- Law recognizes that in limited situations, license shouldn't be required.

IS THE NEW USE TRANSFORMATIVE?

- Whether the new work merely supersedes the original, “or instead adds something new, with a further purpose or different character” altering the original work “with new expression, meaning or message”?

E.g., Reporting a story the work played a part in, commenting on the work, parodying or making fun of the original work.

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.

Fair Use

- Context of use determines the amount of risk involved.
- Even if purpose is transformative, still can't use too much. Shouldn't substitute for people viewing the original.
- For video, use small portion, and only what you need to make the new point. No set number of seconds always OK.
- Stay away from commercial/promotional uses.
- May still need to take down upon complaint or pay out license fees for use.
- When in doubt, ask permission – likely less expensive.
- Difficult to apply factors to real-world situations; Different courts can review the same facts and reach different results.

Example - Fair Use

The makers of a movie biography of Muhammad Ali used 41 seconds from a boxing match film in their biography.

Important factors: A small portion of film was taken and the purpose was informational.
(*Monster Communications, Inc. v. Turner Broadcasting Sys. Inc.*, 935 F.Supp. 490 (S.D. N.Y., 1996).)

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

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.”

Example - Not Fair Use

A company published a book of trivia questions about the events and characters of the *Seinfeld* television series. The book included questions based upon events and characters in 84 Seinfeld episodes and used actual dialog from the show in 41 of the book's questions.

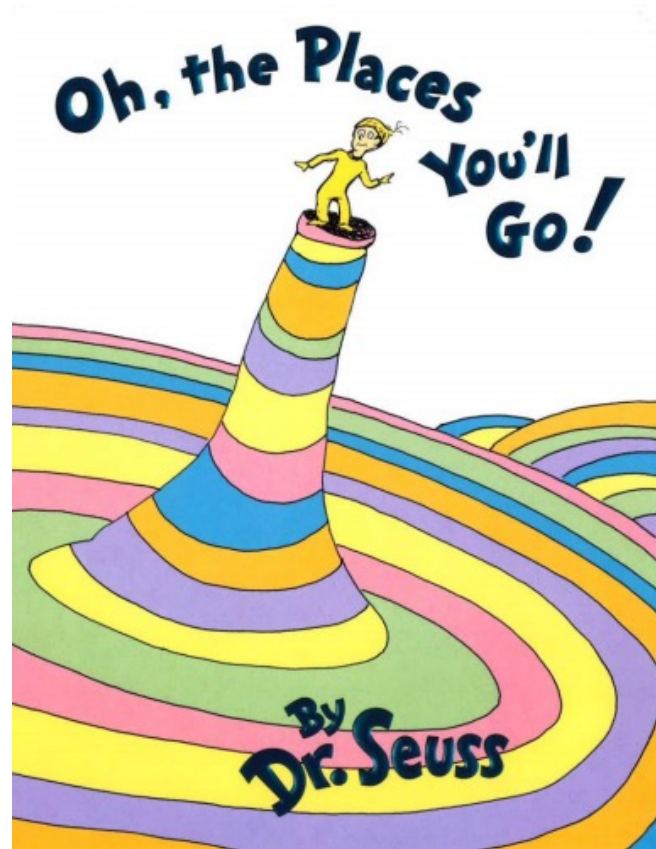
Important factors: The book affected the owner's right to make derivative Seinfeld works such as trivia books. (*Castle Rock Entertainment, Inc. v. Carol Publ. Group*, 150 F.3d 132 (2d Cir. 1998).)

Why Train Your Clients on Fair Use?

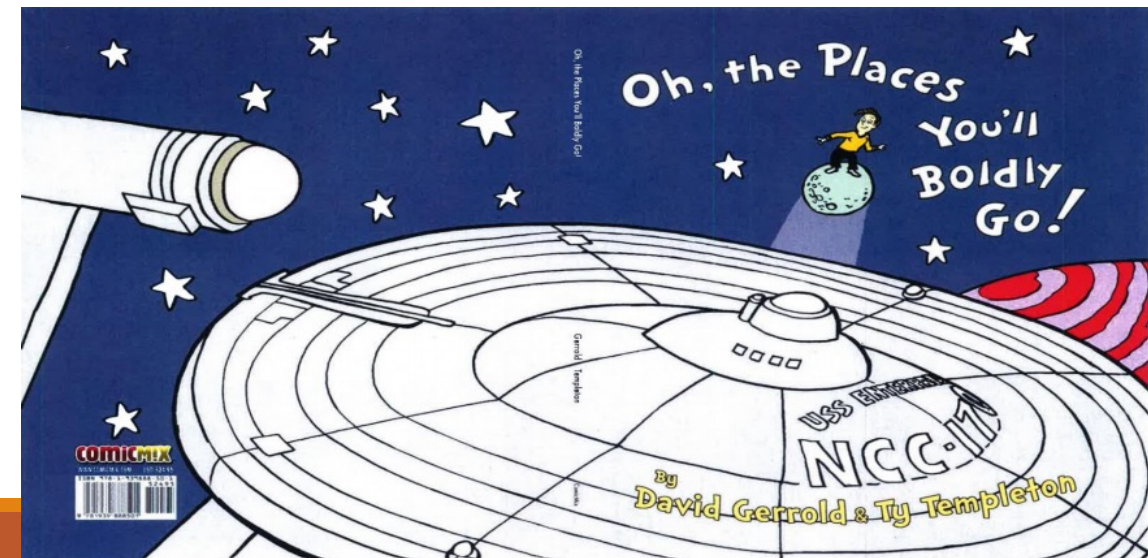
- Avoid payouts...often much higher than license fees.
- Avoid relationship problems with photographers and other media outlets.
- Avoid negative PR.

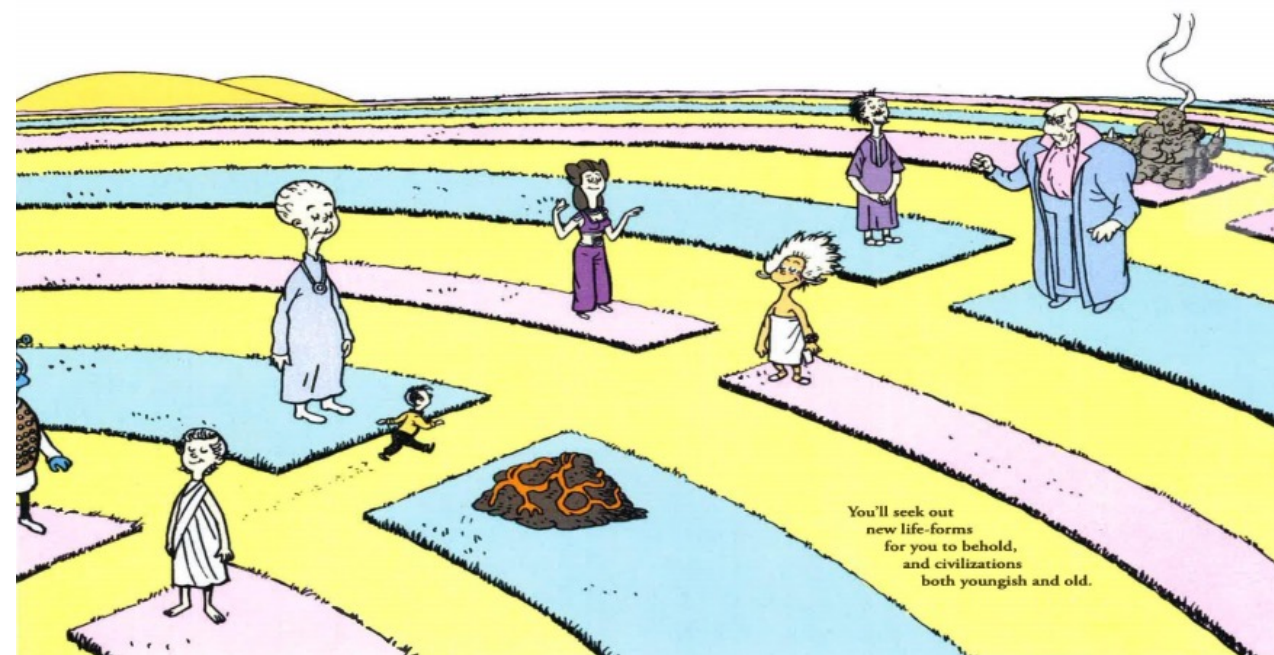
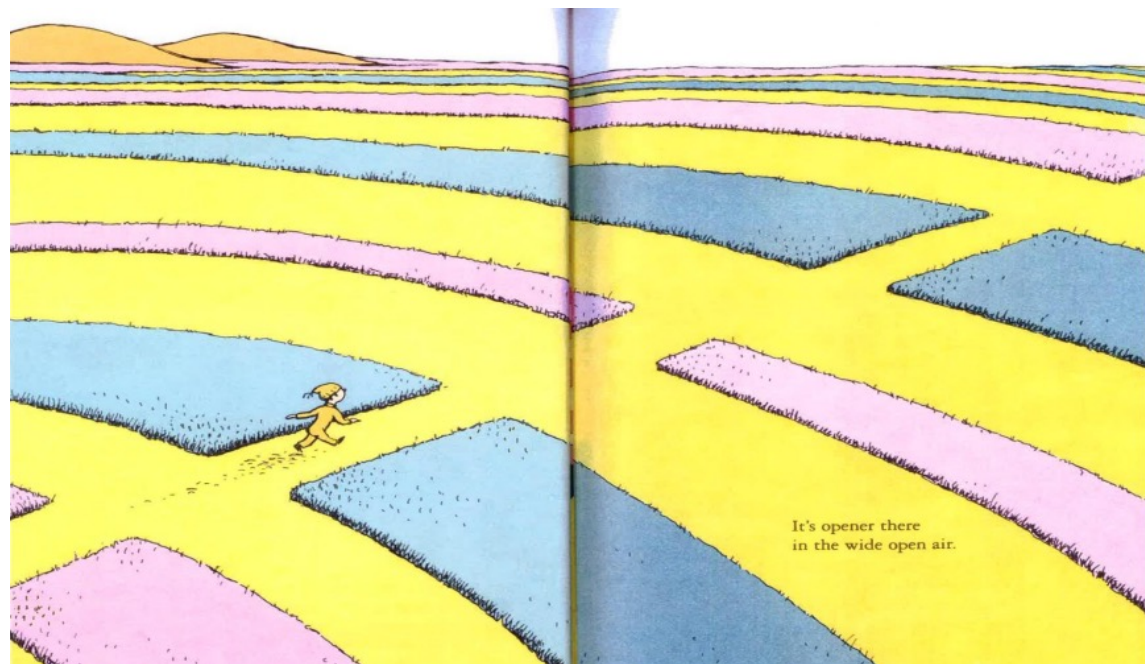
.@HuffPostPol NOT COOL. You stole my picture from Instagram.

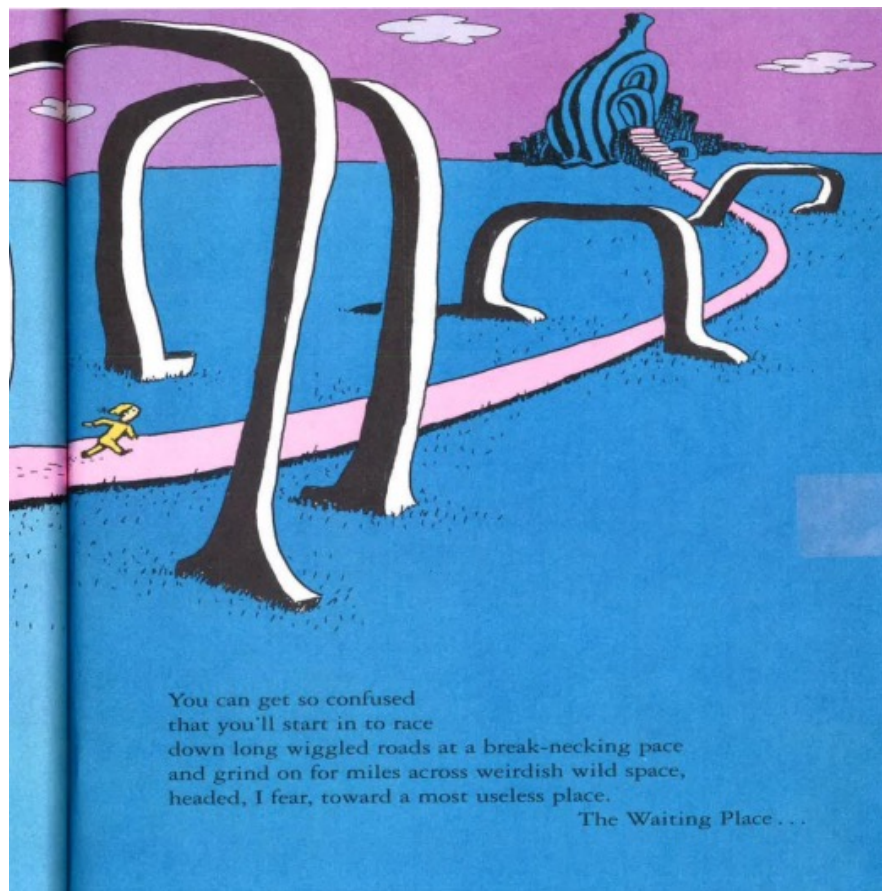
Dr. Seuss Enterprises v. ComicMix



- Dr. Seuss Enterprises sued ComicMix for copyright (and trademark) infringement after ComicMix sought to publish a “mashup” of the famous Seuss work “Oh the Places You’ll Go” with characters and elements from the Star Trek franchise titled “Oh, the Places You’ll Boldly Go!”
- In response to the complaint, ComicMix asserted that its copying of Dr. Seuss’s work was protected by fair use.
- In a March 2019, the Southern District Court of California agreed.
- Dr. Seuss Enterprises appealed to the Ninth Circuit and decision was reversed.

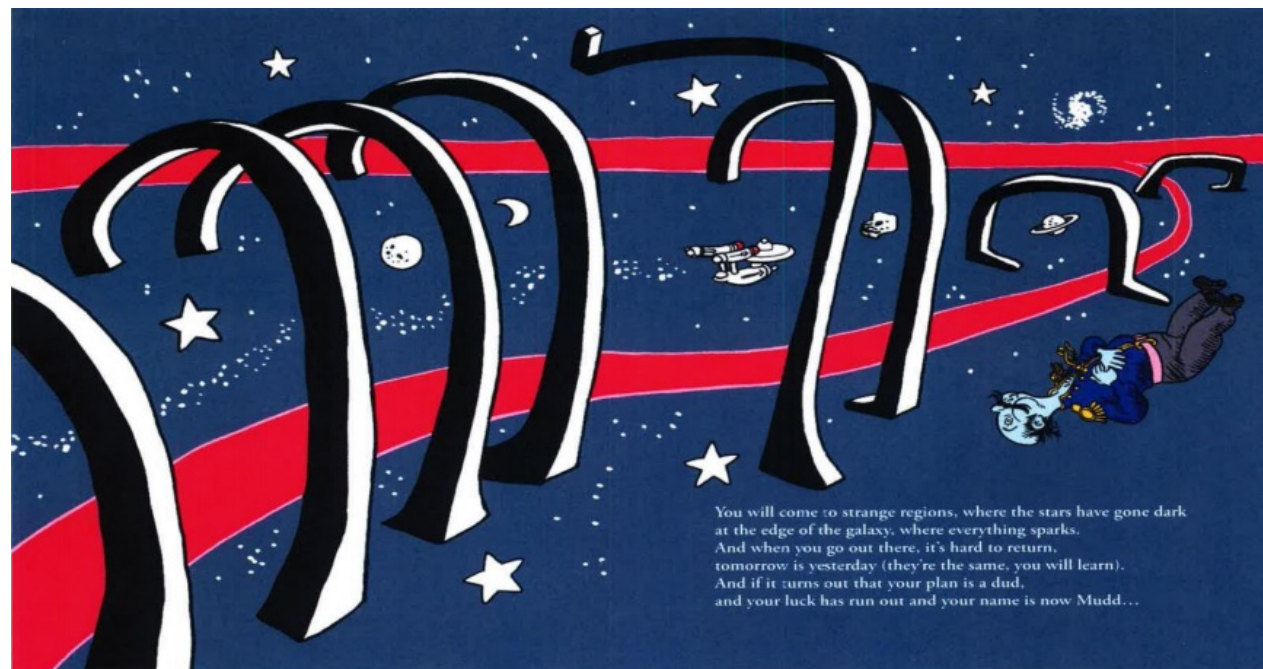






You can get so confused
that you'll start in to race
down long wiggled roads at a break-necking pace
and grind on for miles across weirdish wild space,
headed, I fear, toward a most useless place.

The Waiting Place...



You will come to strange regions, where the stars have gone dark
at the edge of the galaxy, where everything sparks.
And when you go out there, it's hard to return,
tomorrow is yesterday (they're the same, you will learn).
And if it turns out that your plan is a dud,
and your luck has run out and your name is now Mudd...

Differing Views

DISTRICT COURT

- “Although Defendants certainly borrowed from Go!—at times liberally—the elements borrowed were always adapted or transformed.”
- The district court held that the Star Trek version wasn’t so much a commentary on the original Seuss works as it was a “literary and pictorial ‘mash-up’” of the two different genres that Dr. Seuss and Star Trek fall into.
- It found the work highly transformative because it combined two “disparate worlds” into one “completely unique work”

9TH CIRCUIT

- Reversed finding of summary judgment in favor of the defendants on the copyright infringement claim.
- The Ninth Circuit held that the defendants’ use of Dr. Seuss’s copyrighted works in a book titled Oh, the Places You’ll Boldly Go! was not fair use.

Reversing the district court's summary judgment on the copyright claim, and remanding, the panel held that defendants' use of Dr. Seuss's copyrighted works, including the book *Oh, the Places You'll Go!* ("*Go!*"), was not fair use. The panel concluded that all of the statutory factors weighed against fair use, and no countervailing copyright principles counseled otherwise. The purpose and character of *Oh, the Places You'll Boldly Go!* ("*Boldly!*") weighed against fair use because defendants' use was commercial and was not a parody or otherwise transformative. The creative nature of *Go!* and the amount and substantiality of the use of *Go!* also weighed against fair use, as did the potential market for or value of Seuss. The panel held that because fair use is an affirmative defense, the burden is on defendants with respect to market harm.

Google v. Oracle

- Oracle developed and copyrighted its JAVA API
- API stands for Application Programming Interface and is critical in writing some forms of software code
- Google used Oracle's APIs extensively in developing its Android platform
- Oracle sued in 2010, seeking billions of dollars in damages
- Issues: Are Oracle's APIs copyrightable?

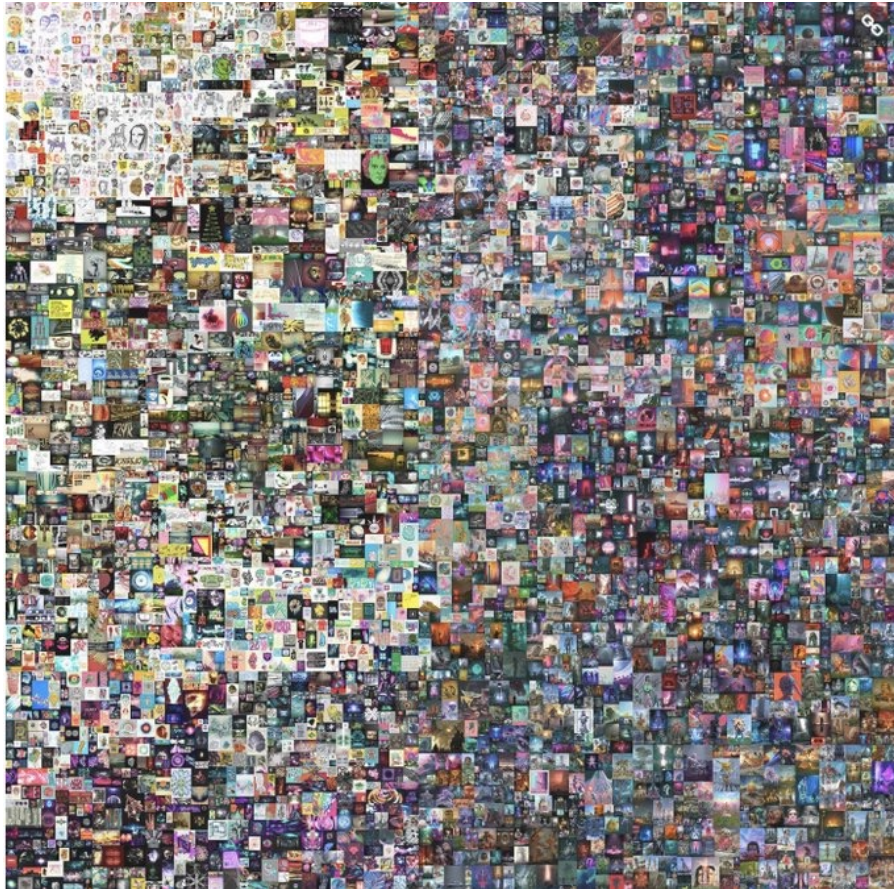
Was Google's use protected by "fair use" doctrine?

Decision and Practical Application

- In April 2021, the Court issued a narrow decision ending a decade-long legal battle reversing the Federal Circuit and holding that Google's use of the Java APIs was permissible fair use as a matter of law.
- The Supreme Court applied the 4-factor fair use test and the fair use application remains undisturbed.
- The ruling may serve to further weaken the scope of copyright protection over software programs because of how the fair use standard was applied to software programs in general.
- The ruling and its progeny may therefore represent a potentially major victory for fair use proponents, and could have far-reaching impacts within the software and tech industries.
- Companies that license third party software may want to review the fine print of those license agreements and whether the software that they're paying for would actually be fair use under this decision.
- It follows that the ruling could also narrow the scope of copyright protection over a company's own software if such software is used by others and falls within the fair use framework outlined by the Court and progeny on a going forward basis.
- Is this decision a license to copy? Will we see an increase of fair use claims? Consider reviewing other forms of IP to protect APIs and software code

NFTs

- A non-fungible token (NFT) is a unit of data on a digital ledger called a blockchain, where each NFT can represent a unique digital item, and thus they are not interchangeable.
- NFTs can represent digital files such as art, audio, videos, items in video games and other forms of creative work.
- Blockchain is the same method used for Bitcoin, however, bitcoin is fungible in nature.
- Fungibility refers to the ability of being able to exchange it for another thing. Non-fungible, meaning you can't exchange it for another thing of equal value. A \$10 bill can be exchanged for two \$5 bills. One bar of gold can be swapped for another bar of gold of the same size.
- Increased substantially with the rise of Blockchain technology



Digital artist Beeple posted a new work of art online every single day for 5000 days. Those pieces have been brought together in one digital collage EVERYDAYS: THE FIRST 5000 DAYS, was minted as an NFT and auctioned off by Christie's. Sold for over \$69M.

Other Examples

- NBA Top Shot
 - Serial No. 1 Legendary LeBron James Moment from our From The Top Series
1 set for \$71,455 – LeBron James dunk highlight
- Trading Cards
- CryptoKitties is a blockchain-based virtual game that allows players to adopt, raise, and trade virtual cats.
 - Some virtual cats have sold for over \$100,000.

What do you do with them? Why spend so much money?

Why don't people just right-click on an image instead and save it to their desktop? Or watch free YouTube videos?

Similar to other collectables, whether it's baseball cards, rare books or fine art, having an original/rare edition is special to many.

Not all NFTs are originals. Many are the digital equivalent of a reprint.

Why?

- Proof of ownership
- Scarcity – Supply and Demand
- Status and enjoyment of collectibles
 - Similar to art, playing cards, etc.
- Keeping up with the move to the “digital world”
- \$\$\$\$ - hope of finding the next get rich quick movement
- Remove the middle man and simplify transactions (albums, etc.)
- Indestructible and benefits of blockchain technology

Copyrights and NFTs

- Images, art, videos, song, etc.
- Music copyrights (composition and sound recording)
 - Biggest impact of music industry than IP
 - Kings of Leon first NFT album
 - Monetizing artists merchandise
 - Smart contracts allow artists to register copyright, publishing and mechanical splits at the time of creation
- Ownership?
- Injunctions

Copyright Laws Apply

- Although NFTs are a new fad, copyright laws still apply
- Expect to see a lot of similar question related to transformative works and fair use
- Fan art
- Just because someone else is doing it, DOES NOT give you permission to do the same or remove liability

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