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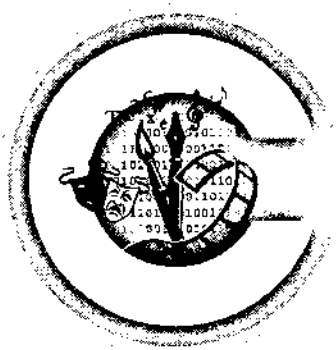

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FROM THE DESK OF THE CO-EDITORS-IN-CHIEF

Part I of volume 61, Issue 1, contains *Modern Technology, Leaky Copyrights, and Claims of Harm: Insights from the Curious History of Photocopying* by Diane Leenheer Zimmerman. Her article addresses the issue of "What should count as 'economic harm' when determining whether particular kinds of copying are appropriately treated as copyright infringement." It traces the history of photocopying as it progressed from a period of uncontrolled copying to a licensing system that courts would protect, and then discusses the weaknesses of the argument against unlicensed non-profit copying. The author maintains that the "evidence of palpable harm from noncommercial photocopying is perishingly slight," and concludes: "What the story of photocopying shows is that our assumptions about harm are not always reliable; in fact, it is simply not plausible to assume that the death of copyright is riding in on the back of every new technology."

Part II is the annual review of copyright, *"Recent Developments in Copyright": Selected Annotated Cases* by Thomas Kjellberg, ably assisted by a number of associates. It is an updated version of the materials presented at the last annual meeting.

The issue concludes with Part III, Administrative Developments, and Part IV, the Bibliography.

As always, your comments and suggestions are welcome.

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PART I

ARTICLE

MODERN TECHNOLOGY, LEAKY COPYRIGHTS, AND CLAIMS OF HARM: INSIGHTS FROM THE CURIOUS HISTORY OF PHOTOCOPYING

by DIANE LEENHEER ZIMMERMAN*

The core problem this article attempts to address is what should count as "economic harm" in determining whether particular kinds of copying are appropriately treated as copyright infringement. When copying occurs in a commercial setting, concrete evidence of harm is often available, but even where it is not, Congress and courts have been generally (and appropriately) comfortable in inferring that the copyright owner's legitimate interests probably have been interfered with; hence provision is made for the award of statutory damages. But what if the copying is not commercial in any ordinary sense? Over the past sixty years or so, the advent of copying technologies has allowed individuals to reproduce content on a small scale for personal or small-group use, and the question of economic harm to copyright owners in these instances has been far more contested. Today, serious disagreements exist about whether or not private copying is always, or at least often, harmless to owners, and hence should fall outside the reach of copyright. The argument that owners should be entitled to control all such copying could rest on a pure property-rights foundation — I own it and therefore the user must have my permission to use it. But the more common explanation for why noncommercial copying is a violation of the letter and spirit of copyright is that it does cause economic harm, albeit in a way that is subtle and cumulative. Death by a thousand cuts, copyright owners claim, is still death, and as such wholly inconsistent with the maintenance of a healthy environment for the production and distribution of information goods. The argument that copying without permission, especially on the Internet, is per se harmful has led to a variety of increasingly stringent self-help and legislative measures designed to prevent and to punish the activity, although often without evidence of success. But researchers who study such things continue to find evidence of the damage, at least from noncommercial activity, elusive. The reasons this might be so, and the inferences to be

*Samuel Tilden Professor of Law Emerita, New York University School of Law. The author first wishes to thank Yochai Benkler, at whose instigation this project began. Thanks, also, to Rochelle Dreyfuss for her helpful comments on earlier drafts. I also am grateful for the insights of the many readers of more recent drafts, including Katherine Strandberg, Brett Frischman, Felix Wu, Cynthia Ho, Matthew Sag, Edward Lee, Margaret Chon, Hiram Melendez-Juarbe, Anthony Reese, Haochen Sun, and all the participants in the Cardozo and Loyola/Chicago-Kent intellectual property colloquia.

drawn from it, are an interesting subject for copyright theorists to consider, but so far very little serious attention has been paid to examining the phenomenon. This article is an effort to begin filling in that blank by setting out a case study of a rampant form of copying technology that long pre-dates the internet: photocopying. In many ways, the photocopying story is a microcosm of what happens when a new technology bursts onto the copyright scene, and as such, it is a possible source of learning about how copyright should treat the issue of noncommercial copying generally, whether it occurs compliments of Xerox, or compliments of your regional ISP.

What the article concludes is that very little evidence exists to support the claim that adequate copyright protection requires assuring owners virtually airtight control over their works. Copying frequently does not lead to demonstrable economic loss, suggesting that considerable room exists for compromise between the public's desire for free access, and the owners' interest in retaining incentives to produce. Furthermore, the paper concludes that greater breathing space for unlicensed copying can reduce, in some significant situations, the opportunity for socially harmful rent-seeking to occur.

I. INTRODUCTION

This is a story about leaky copyrights and the pros and cons of deciding, as a matter of policy, that all such leaks must be stemmed to maintain the integrity of the copyright system. Until about fifty years ago, the only kinds of leaks that had salience were commercial in nature; these were occasioned by competitors who copied protected works, and then attempted to sell them to the public in competition with the copyright holder. Although, occasionally, arguments would arise over whether copying had actually occurred, and if so, whether the use was nonetheless "fair," there was very little controversy over the need to caulk leaks by stopping proven infringers. But, with the advent of technologies that allowed individuals to make copies — not to sell, but for their own use or for the use of small groups (such as school classes) — for the first time noncommercial leaks became a subject of controversy. Were personal and noncommercial copying things copyright permitted or forbade?

The labor-intensive practices of note-taking and hand-copying were acknowledged to exist but no definitive resolution regarding their legitimacy or lack thereof was reached. The copyright-owning community was on record as regarding these kinds of noncommercial copying not as of-right uses but permissible only as a matter of industry custom.[1] A "Gen-

[1] In the rare early cases where the issue was raised, the lower courts resolved the uncertainty in favor of plaintiffs. In 1914, Macmillan Co. successfully sued a Harvard tutor who made typewritten study sheets and examination-prepa-

tlemen's Agreement" between libraries and publishers on the subject of noncommercial copying was entered into in 1937,[2] in which publishers conceded that there was nothing in the existing statute that authoritatively supported their position that all unconsented copying infringed.[3]

From a practical perspective, even if the owner of a copyright had insisted in those days on complete control over how the public accessed, used or copied their works, historically she would have been hard-pressed to effectuate that wish. Individual copyists were hard to catch. Only commercial ones operated in ways that were obvious enough to call attention to themselves. The lawyer who, in the course of researching a brief, took notes on a law review article or even copied it in its entirety was largely invisible to copyright owners. Kids on a school outing whose teacher encouraged them to sing popular songs on the bus were likely to fall below the radar screen of the most vigilant copyright claimant.[4] An art student who copied a photograph or a painting in the course of his training was rarely apt to gain the notice of the person who owned the rights in the original.[5] Hence, practicality and an assumption of small impact led to a generally silent truce on the subject.

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ration outlines based on an economics text as study aids for students using the book in question in class. Macmillan Co. v. King, 223 F. 862 ((D. Mass 1914). At least two other cases, brought decades later, were equally unreceptive to copying by teachers for distribution to students. Wihtol v. Crow, 309 F.2d 777 (8th Cir. 1962) (music teacher); Marcus v. Rowley, 695 F.2d 1171 (9th Cir. 1983) (home economics teacher). In these latter cases, courts expressed serious doubt that copying a complete work could be fair under any circumstances.

[2] Typewriters could make multiple copies using carbon paper, but the number of copies that could be made this way was quite limited. Mimeograph machines could also make multiple copies of documents prepared on special paper. Some early forms of photographic reproduction were available in the 1930s, and this technology is what prompted the "Gentlemen's Agreement" between book publishers and librarians to establish forms of personal copying that were acceptable to publishers. For a reprint of the agreement, see 2 J. OF DOCUMENTARY REPRODUCTION 31 (1939).

[3] *Id.* at 52.

[4] ASCAP, however, did decide at one point to demand license fees from summer camps for the songs that were sung by the children who attended them. In an instance that received a great deal of attention, the organization threatened to sue the Girls Scouts of America for unlicensed musical performances by kids at their camps. Negative publicity, however, led to a retreat from the demand for royalties. *See* Elizabeth Bumiller, *Battle Hymns Around Campfires: ASCAP Asks Royalties from Girl Scouts, and Regrets It*, N.Y. TIMES (Dec. 17, 1996), at 1, *available at* http://www.nytimes.com/1996/12/17/nyregion/ascap-asks-royalties-from-girl-scouts-and-regrets-it.html?pagewanted=all&src=pm.

[5] Jessica Litman has pointed out that "Fifty years ago, copyright law rarely concerned itself with uses that were not both commercial and public." Jessica

But, beginning in the 1960s, new technologies began to come along that were not labor-intensive to use and that permitted multiple copies to be made simply and quickly — first photocopying machines,[6] then tape recorders[7] and video recorders,[8] and eventually personal computers[9] and the Internet. This change transformed noncommercial copying from a minor concern into a topic of serious debate. An individual who wanted to read an article on the evening train could now copy it rather than buying (and carrying) the entire volume in which the article appeared. A teacher who found something pertinent to his class could run off copies for his students. A committee member who found an article bearing on the topic of an upcoming meeting might copy it and hand out the copies to fellow members. And, as time went on, someone who wanted to watch a movie or listen to a song could easily copy it from another person's hard disc, whether that someone else was a friend or a complete stranger who made the work available on a peer-to-peer network.

If copyright owners had qualms about the legitimacy of hand-copying, they had no doubt that widespread private or noncommercial copying by technological means was an evil requiring immediate redress. Users on the other hand argued that photocopiers merely were mechanical assists to note-taking[10] or more an accurate way than a verbal summary to convey information to a small group; that equipment used to tape television shows off the air simply permitted time-shifting; and that copying music onto a variety of digital devices was merely space-shifting, or sampling or sharing a nice experience with friends. It was not harmful, they asserted, to any-

Litman, *Lawful Personal Use*, 85 TEX. L. REV. 1871, 1873 (2007). She goes on to add that not only were personal uses not limited by the express language of the law at that time, but were often protected by the courts. *Id.* at 1882.

[6] The photocopier, the first major copying technology to appear, was introduced in 1959. Gannett News Service, *Xerox's Meteoric Rise Is Similar to Some of Today's Technology Rookies*, DES MOINES REGISTER, Oct. 10, 1999, at 1.

[7] Compact cassette recorders hit the general market in the 1960s. *See* WIKIPEDIA, *Compact Cassette*, http://en.wikipedia.org/wiki/Compact_Cassette (last visited Sept. 18, 2013).

[8] Sony introduced the Betamax, the first video recorder, in 1975; a competing format, the Video Home System, or VHS as it is better known, recorder was introduced in the United States in 1977. *See Betamax*, WIKIPEDIA, http://en.wikipedia.org/wiki/Betamax (last visited Sept. 18, 2013).

[9] Computers for personal use came on the market in the 1970s, but it was the introduction of the IBM personal computer, or PC, in 1981 that ignited the popularity of mass market computing. *Timeline of Computer History*, COMPUTER HISTORY MUSEUM, http://www.computerhistory.org/timeline/?category=cmptr (last visited Sept. 18, 2013).

[10] Comment, *New Technology and the Law of Copyright: Reprography and Computers*, 15 UCLA L. REV. 939, 951 (1968).

one's market. Copying for purely personal use was also defended on privacy grounds, with arguments that what users do in their homes is not the business of copyright owners.[11]

Mostly, the dispute came down to an argument, not over whether the copying was non-infringing, but rather whether or not it was a "fair use," even though, at least in theory, whether it constituted infringement at all — that is, whether copyright actually applied only to commercial competitive copying — remained questionable.[12] Today, U.S. law contains a number of discrete exceptions for personal and non-profit uses, leading to the inference that copying for personal use or sharing among small groups is also subject to copyright. The extent to which this change represented a conscious policy decision by Congress is not entirely clear, but it lends credence to the treatment of personal and nonprofit copying for educational use as problem of fair use, rather than as questionable infringement.

But the scope of the fair use defense in the United States for such behavior still remains largely uncharted,[13] and some reluctance to press too hard on personal and noncommercial uses continues to be evident abroad as well. One commentator, discussing criminal sanctions for digital music downloading in Germany, noted that lawmakers exhibited considerable ambivalence about making noncommercial copying a crime and that German prosecutors were very reluctant to bring cases against individuals.[14] And when Germany passed its law prohibiting circumvention of dig-

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[11] James Lardner, in a book on the copyright dispute over the Sony Betamax video recording device, recounts a debate between the head of Universal Studios and Sony U.S.A. in which the head of Universal said use of the Betamax was stealing and the head of Sony shot back that no one had a right to tell him what he could or could not do in the privacy of his bedroom. JAMES LARDNER, FAST FORWARD: A MACHINE AND THE COMMOTION IT CAUSED 82-83 (rev. ed. 2002).

[12] Litman, *supra* note 5, at 1871-72; *see also* L. Ray Patterson, *Free Speech, Copyright and Fair Use*, 40 VAND. L. REV. 1, 37-48 (1987) (arguing that "ordinary use" by individuals was historically intended to fall outside the reach of copyright).

[13] *Compare* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984) (copying broadcast programming off the air for time-shifting purposes a fair use) *with* A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001) (neither copying for purposes of sampling music or space-shifting was fair use).

[14] *See infra*, note 15. Spain, for example, has been extremely reluctant to criminalize peer-to-peer sites or as a general matter to crack down on illegal copying of digital content. SPAIN: INT'L INTELLECTUAL PROPERTY ALLIANCE (IIPA) 2012 SPECIAL 301 REPORT ON COPYRIGHT ENFORCEMENT AND PROTECTION, *available at* http://www.iipa.com/rbc/2012/2012SPEC301SPAIN.PDF. Spain was removed from the United States 301 Watch List in 2012, but is subject to ongoing monitoring, in part because of a 2006 Prosecutor General Circular that treats file sharing on peer-to-peer networks as

ital management technology, it exempted individual users from the law's criminal sanctions.[15]

When fair use cases directly or indirectly involving individual acts of noncommercial copying for personal or educational purposes have come before the United States Supreme Court, that body, too, has moved cautiously in dealing with the legitimacy or lack of same of copying for personal or educational uses.[16] One of the sticking points for the Court has been the ambiguity — indeed the paucity of evidence — about whether this kind of copying causes legally cognizable harm to copyright owners.[17] Intuitively, it seems reasonable to suppose that, when someone makes a copy for personal use, or hands out copies in the course of teaching a class, the act is too insignificant to be harmful, and, in the spirit of no harm, no foul, should not be actionable. This view also makes sense in light of positive law — the existence, extent, or absence of economic harm to the market for the work is a crucial factor in fair use determinations.[18] Ordinarily, law-abiding citizens are unlikely to think twice about engaging in activities that they do not see as inflicting palpable harm — that is, the loss of revenues on which the copyright owner's economic future depends. Thus harm — its existence or absence — has continued to loom large over the ongoing debate about how to regard noncommercial copying.

The response among copyright owners to this debate generally takes several forms. The first is to argue that the harm to the value of the copyright is obvious on the face of the matter because copying is a substitute for a purchase or license. Alternatively, some argue that even if clear proof of harm is absent, the presumption should favor the copyright owner

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not subject to criminal sanctions. RONALD KIRK, 2012 SPECIAL 301 REPORT 9 (2012), *available at* http://www.ustr.gov/sites/default/files/2012%20Special%20301%20Report.pdf. *See also* DEMETRIOS MARANTIS, 2013 SPECIAL 301 REPORT 8 (2013), *available at* http://www.ustr.gov/sites/default/files/05012013%202013%20Special%20301%20Report.pdf.

15 Alexander Peukert, *Why Do "Good People" Disregard Copyright on the Internet?*, *in* CRIMINAL ENFORCEMENT OF INTELLECTUAL PROPERTY: A HANDBOOK OF CONTEMPORARY RESEARCH, ch. 8 (Christophe Geiger ed., 2012).

16 *See* Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984) (off-the-air videotaping for personal use); Williams & Wilkins Co. v. United States, 420 U.S. 376 (1975), *aff'g by equally divided court*, 487 F.2d 1345 (Ct. Cl. 1973) (library photocopying for patrons).

17 *Id.* at 451-54.

18 Section 107 of the Copyright Act of 1976 lists as a factor to be considered in determining fair use "the effect of the use upon the potential market for or value of the copyrighted work." 17 U.S.C. § 107(4) (2006).

because to do otherwise would be to disable owners from defending their copyrights until they have approached the brink of market failure.[19]

Some go further, and argue that the issue of harm is a red herring; owners are entitled to the economic value of their expression, and, thus, if a work is sufficiently valuable to the user to warrant copying it, ipso facto payment is justified. This position is defended in a couple of ways. One way, increasingly in favor among copyright owners, is to argue that copyright conveys a property interest that carries rights similar to those enjoyed by owners of real property and tangible goods.[20] Since the right to exclude is a core feature of property regimes, it follows that anyone who wants to use copyrighted expression cannot come onto the owner's "property" without first seeking permission to do so. The second, most notably articulated by former Register of Copyrights David Ladd,[21] is that the authors and disseminators of copyrighted works are risk-takers who will continue to take such risks only if, as a matter of justice, they are able to reap all the economic return that can be made to flow from what they produce.[22] The focus on harm, in Ladd's view, was misplaced because the just compensation promised authors by the Copyright Clause and the statute was to be "measured solely by what the public chooses to pay,"[23] not by the degree of harm inflicted if they do not pay.

The problem with attempts to sidestep the harm issue is that the theories supporting total control by copyright owners are in considerable tension with another mainstream view of copyright's appropriate function, which is to favor access except to the extent necessary to provide sufficient

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19 The Supreme Court attempted to resolve this in *Sony* by suggesting that harm would be presumed for commercial, but not for noncommercial, copying. *Sony*, 464 U.S. 417, 451 (1984). Several years later, in *Campbell v. Acuff-Rose Music, Inc.*, 507 U.S. 569, 583-84 (1994), the Court backed away from this conclusion in part, recognizing that not all commercial uses are unfair.

20 Both Edmund Kitch and later R. Polk Wagner have discussed the benefits of a property approach to intellectual property generally, including copyright. *See* Edmund W. Kitch, *The Nature and Function of the Patent System*, 20 J.L. & ECON 265, 266 (1977); R. Polk Wagner, *Information Wants to Be Free: Intellectual Property and the Mythologies of Control*, 103 COLUM L REV. 995 (2003). It is generally agreed that continental European copyright is strongly premised on a property rights notion. *See, e.g.*, Mary W. S. Wong, *Toward an Alternative Normative Framework for Copyright: from Private Property to Human Rights*, 26 CARDOZO ARTS & ENT. L.J. 775, 822-23 (2009).

21 David Ladd, *The Concept of Harm in Copyright*, 30 J. COPYRIGHT SOC'Y 421 (1983).

22 *Id.* at 431.

23 *Id.* at 423. Ladd's article was prompted by his concern that digital technology would allow individuals to make almost costless, perfect copies, thereby undercutting markets for the works.

economic incentives to induce authors and disseminators to provide a stream of new works.[24] If one assumes that copyright is intended to support a viable market for copyrighted works, rather than to channel all possible value to copyright owners, then proof of harm inevitably becomes relevant. An incentive approach would only worry about those leaks that undercut an owner's willingness to participate in the knowledge market; it does not depend on maintaining a tightly-caulked system that resists all leaks. Although adherents to this view of copyright may disagree in particular instances about which "leaks" count and which do not, they would require some plausible story about harm — actual or seriously threatened — to condone liability for copyright infringement. As a practical matter, admittedly, it is impossible to calibrate the exact degree of incentives necessary for any particular work,[25] but mainstream incentive theorists would be likely to look to the overall robustness of the sector in light of the degree of uncontrolled copying that exists. Threats that look systemic would be the focus of regulation, whereas if evidence of harm is slight to non-existent, and particularly if some public good is also furthered by allowing the copying, the benefit of the doubt would tilt toward the user community.

Decades have passed without resolving the debate about harm, and digital technology has clearly escalated the battle over personal and noncommercial use. But the outlines of the arguments over why it should be controlled — and why it is harmless — remain strikingly similar: when individuals copy for themselves or to share with friends or colleagues on a comparatively small scale and not for profit, they believe their actions should fall outside the control of copyright, whereas owners see nothing but impending financial disaster ahead.

The empirical evidence, however, has failed to provide clear support for the claim that noncommercial, unlicensed copying does inevitable harm to copyright's incentive structure. Nonetheless, the response of copyright owners, and of legislators, to the new technologies has been to enlarge the tool kit available to caulk noncommercial leaks, based entirely on the assumption that any copy not paid for causes harm to the creative community.[26] What remains unanswered is whether the effort can be justified. Should personal or non-profit copyists be subject to the same legal restraints as commercial ones? Or should copyright develop and maintain

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[24] For an in-depth discussion of the role of copyright as a balance between incentives and public access, see Glynn S. Lunney, Jr., *Reexamining Copyright's Incentives-Access Paradigm*, 49 VAND. L. REV. 483 (1994).

[25] ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY 307 (2011) (referring to utilitarian justifications for intellectual property as "the god that failed").

[26] For discussion of some legislative efforts, see notes 49–50, *infra*.

clear exemptions, premised on some combination of public interest and lack of nontrivial economic impact? Should the public's sense of fairness or that of the copyright owners, roughly speaking, prevail?

In trying to determine how these questions should be answered, the author first argues that the most plausible definition of harm — and the one most consistent with judicial interpretation — is loss that damages the incentive system to the extent that the distribution and creation of new works is affected. In examining whether small-scale noncommercial copying is likely to meet that test of harm, this Article is unusual in that it looks more to experience than to theory.[27] Assuming that, in life as in Shakespeare, "what's past is prologue,"[28] the subject examined empirically is the history of one of the older technologies — photocopying — for insights it provides into the question of harm.[29] Although photocopying is not a digital technology, and the copies it generates are far from perfect, the concerns that photocopying generated share common ground with claims about the impact of virtually all modern copying technologies.

What is particularly attractive about photocopying as a case study is that it has been around for half a century, has been extensively studied, debated, litigated, and cabined by self-help devices. Over time, the photocopying dispute has matured enough as a controversy to be able to measure some of the consequences of the legal approach to it and to evaluate the plausibility of claims about its effects on publishers.

From this examination, I hope to arrive at some tentative general conclusions about the pros and cons of permitting a generous approach to allowing personal and noncommercial copying to occur outside the control of copyright owners. What is meant by "personal and noncommercial use" in this context is, primarily, instances of copying for purely personal uses, whether for enlightenment, amusement, or for sharing with some limited group of friends and associates, and copying for socially beneficial purposes, like research and small group study, or for distribution of copies, for free or at cost, in a classroom.

The Article begins by defending the position that harm, in copyright, is properly understood as a palpable injury of a kind that discourages creativity and innovation, and by placing the dispute over photocopying into

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[27] One very interesting example of a more theoretical approach, leading to the conclusion that private copying is indeed very different in its consequences for copyright owners is Glynn S. Lunney, Jr., *Copyright, Private Copying, and Discrete Public Goods*, 12 TULANE J. TECH. & INTELL. PROP. 1 (2009).

[28] WILLIAM SHAKESPEARE, THE TEMPEST, act 2, sc. 1, line 253 (1611).

[29] Other examples could be given that are also sufficiently mature to permit some evaluation and conclusions — the video cassette recorder comes to mind immediately. But I have chosen to address photocopying because quantity of data is so great.

the broader empirical dispute over the effect of new technologies on the economic health of the copyright community.

The discussion then turns to the specific history of the photocopying dispute, and the available empirical evidence regarding the technology's threat to publishers, in particular to publishers of scientific and technical journals. The Article will describe three periods in the history of photocopying during which a movement occurred from essentially uncontrolled copying to the development of licensing mechanisms that create "markets" courts will now protect. The final section discusses the consequences of this development, showing the inherent weakness of the case against unlicensed nonprofit photocopying. The Article then concludes by offering some insights and conclusions suggested by the photocopying story. In brief, it suggests that the law can and should recognize considerable space for personal and nonprofit copying without worrying that doing so will inflict the kind of damage to copyright owners that should be the concern of the law.

II. THE PHOTOCOPYING DISPUTE

A. The Dispute over Harm

Before beginning to discuss photocopying, a bit of context is necessary. Although that technology has been with us for a half century now, the predictions and the fears expressed about its potential effect on copyright are truly modern, in that they have been repeated with few variations about each succeeding technology capable of reproducing copyrighted works. Whether the technology is analog or digital, the claim made is that it changed the stakes in ways that demand a move toward a greater presumption of harm. The nub of the recurring concern is that, while private acts of copying do not destroy markets wholesale the way commercial copying can, when multiple good copies can easily and quickly be generated by the acts of millions of individuals, over time the end result is just as damaging. Death can as easily occur by a thousand cuts as by a single commercial blow: individuals who can copy works rather than buying them will do so, with the result that the market for the work will simply evaporate. Although owners can respond by raising the prices of the copies they can sell, this strategy cannot be successful in the long run. As Jane Ginsburg once explained, in the context of photocopying:

> A publisher, particularly of a journal, is likely to set a very high price, in part at least because it anticipates that some number of copies will be made of the journal. In effect, the subscriber is buying the original, plus an indeterminate number of additional copies to make on her photocopier. This pricing policy tends to have a vicious circle effect. Users, knowing that the price anticipates some copying, will copy even more. Publishers will then charge even more. And so on, until the reduc-

> tio ad absurdum: some day, only one copy will be published, and that copy will cost a million dollars.[30]

Presumably, well before the million dollar copy stage, the publication would have ceased because continuing to publish would no longer be economical. Thus intervention is necessary early in the process, before irreparable harm to the incentive structure occurs.

In fact, however, proof that death by a thousand cuts actually occurs has been hard to come by. When home taping equipment came on the market, it was declared that the record industry faced impending doom.[31] James Lardner reports that the music industry blamed audiocassette recorders for a serious slump in the sale of records:

> The year 1981 had been a bad one for the recording industry. So had 1980 and 1979. After years of phenomenal growth, revenues had flattened out, and the number of new albums produced had actually declined by 32% since 1978. Many people in the business attributed their problems to the use of audiocassette recorders to tape radio broadcasts or records (often owned by someone other than the taper). The *Wall Street*

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[30] Jane C. Ginsburg, *Reproduction of Protected Works for University Research or Teaching*, 39 J. COPYRIGHT SOC'Y 181, 183 (1992). Professor Ginsburg was certainly not alone in her belief. Economists, too, hypothesized that the journal publishing business was highly vulnerable to losses attributable to photocopying. *See, e.g.*, Roger G. Noll, *The Economics of Scholarly Publications and the Information Superhighway*, *in* THE INTERNET AND TELECOMMUNICATIONS POLICY 231 (Gerald W. Brock & Gregory Rosston eds., 1996) (arguing that efficient photocopying technology will drive "down average circulation and increase[ ] subscription prices for libraries"). *See also* PAUL GOLDSTEIN, COPYRIGHT'S HIGHWAY: FROM GUTENBERG TO THE CELESTIAL JUKEBOX 72, 97-100 (2003).

[31] *See* Note, *Home Taping*, 56 S. CAL. L. REV. 647 (1983) arguing that taping substituted for buying recordings. In a study done for the European Union, Gillian Davis reported in the 1980s that widespread copying of audio-visual works and sound recordings were "devaluing the rights of authors, producers of phonograms and videograms and performers." GILLIAN DAVIS, PRIVATE COPYING OF SOUND AND AUDIO-VISUAL RECORDINGS 2 (1983). The report agreed with the industry estimate that at least 25% of the music tape-recorded by individuals would otherwise have resulted in purchases. *Id.* at 164. A study of consumer behavior with regard to taping, released in 1982, estimated that $2.85 billion worth of music was privately taped by individuals in 1980. MARTIN FISHBEIN, SUSAN MIDDLESTAT & MICHAEL KAPP, HOME TAPING: A CONSUMER SURVEY 24 (1982). The authors concluded that not all the music taped would have been purchased if taping were unavailable, but they assumed that a high percentage of it would have been. At a minimum, they wrote, it was reasonable to assume that the $609 million spent on blank audiotape was money that otherwise would have been spent on prerecorded music. *Id.* at 43.

Journal estimated that taping cost the industry as much as $1 billion a year."[32]

But the music industry seems to have recovered, and when digital audio recording devices came on the scene to cause renewed perturbation, legislation passed in response attached a small royalty payment to sales of the devices for the benefit of copyright owners and performers[33] but barred the industry from suing individuals for using either the digital or *analog* recorders to copy music[34] — a strong hint that Congress believed that doomsday, at least, had not ridden in on the back of the analog tape recorder.

The death of the music industry was predicted again when it became possible to rip compact discs onto computer hard drives, and to trade songs on peer-to-peer networks. But once again, the evidence that file sharing and copying for one's own use and that of one's friends were the disease that was about to kill the music business was highly contestable.[35] In 2004, for example, a study by Uberholzer and Strumpf found no correlation between file-sharing and sales of records.[36] Subsequent studies were mixed. Some found damage to record sales;[37] some did not. One economist concluded that file-sharers were actually likely to buy more music than the average person, but that their purchases were more likely to

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[32] JAMES LARDNER, FAST FORWARD: HOLLYWOOD, THE JAPANESE, AND THE ONSLAUGHT OF THE VCR 200 (1987). Lardner reports that the industry regretted not having sued to stop the use of the recorders.

[33] 17 U.S.C. § 1004 (2006). The digital devices also were required to be designed to permit copying only from original recordings, and not copies. *Id.* § 1002.

[34] *Id.* § 1008.

[35] The record industry acted on its position that private copying was infringement by suing thousands of individuals for downloading music without permission. *See RIAA v. The People: Five Years Later*, ELECTRONIC FRONTIER FOUNDATION (Sept. 2008), https://www.eff.org/wp/riaa-v-people-five-years-later. Then, in 2008, it decided to drop the practice of suing consumers in favor of pressuring Internet service providers to cut off their service if they are repeat offenders. Eliot Van Buskirk, *RIAA to Stop Suing Music Fans, Cut Them Off Instead*, WIRED (Dec. 19, 2008), http://www.wired.com/business/2008/12/riaa-says-it-pl.

[36] Felix Oberholzer & Kolsman Strumpf, The Effect of File Sharing on Record Sales as Empirical Analysis (2004), *available at* http://www.unc.edu/~cigar/papers/FileSharing_March2004.pdf.

[37] The average estimate was a 20% reduction. Felix Oberholzer-Gee & Koleman Strumpf, File-Sharing and Copyright 16 (2010) (working paper), *available at* http://musicbusinessresearch.files.wordpress.com/2010/06/paper-felix-oberholzer-gee.pdf. The paper cites numerous studies, including ones showing loss of sales and ones finding little or no loss.

be of individual songs, rather than albums.[38] This suggested that album sales might not be the relevant measure of "harm."[39] And the most recent study by Oberholzer-Gee and Stumpf also indicates that, indeed, the relevant measure of harm is not the impact of file sharing on the revenues of the record industry (which is, after all, a form of music delivery, but not the only form); rather it is the effect on musicians and composers themselves. They write:

> Record companies may find it more difficult to profitably sell CDs, but the broader industry is in a far better position. In fact, it is easy to make an argument that the business has grown considerably. . . . The decline in music sales — they fell by 15% from 1997 to 2007 — is the focus of much discussion. However, adding in concerts alone shows the industry has grown by 5% over this period. If we also consider the sale of iPods as a revenue stream, the industry is now 66% larger than in 1997.[40]

Video recorders, too, were declared to be a source of dire harm to television and movie makers.[41] But, ironically, the Supreme Court's refusal to bar their sale actually turned out to open valuable new markets for selling content directly to customers on videocassette and later on DVDs and by direct electronic delivery.[42]

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38 Wendy Chi, Does File Sharing Crowd Out Copyrighted Goods? Evidence from the Music Recording Industry 20 (Nov. 12, 2008), *available at* http://www.econ.sinica.edu.tw/upload/file/0224-3.pdf.

39 It has been said that Steve Job's iTunes saved the music industry by offering individual songs, rather than whole albums, for download at a relatively low price. Jeff Goodell, *How the Apple Co-founder Changed the Computer Industry and Then Went After the Music Business*, ROLLING STONE (Oct. 6, 2011), *available at* http://www.rollingstone.com/music/news/steve-jobs-rolling-stones-2003-interview-20111006#ixzz22jSjbCR9. Price appears to be crucial in the decision to pirate music or buy it. Bellemare and Holmberg estimate that dropping the price of a song from $.99 to $.81 would decrease piracy by 25%. Marc F. Bellemare and Andrew M. Holmberg, The Determinates of Music Piracy in a Sample of College Students 27 (2009), *available at* papers.ssrn.com/sol3/papers.cfm?abstract_id=1481272.

40 *See* File Sharing and Copyright, *supra* note 37, at 21.

41 Jayashri Srikantiah, Note, *The Response of Copyright to the Enforcement Strain of Inexpensive Copying Technology*, 71 N.Y.U. L. REV. 1634, 1634 (1996) (reported industry estimates that home video recording was costing the industry $600 million dollars in losses domestically and many millions more abroad).

42 The entertainment industry sued Sony to have the Betamax, a kind of videorecorder, taken off the market because it allowed individuals to infringe by copying programming off the air. *Sony*, 464 U.S. at 441 at n. 21. The United States Supreme Court refused, however, to use the theory of contributory infringement to ban the recorders. *See* LARDNER, *supra* note 11, at 297-313 for a discussion of how the technology opened new and lucrative markets for the entertainment industry.

When the personal computer became widely available, the ease with which digital copies of programs could be made led again to claims of the impending economic ruin of software developers. Certainly, unlicensed copying remains to this day a high-volume activity. The Business Software Alliance, for example, estimated in a 2010 study that 42% of the software copies in use worldwide are unlicensed.[43] Although at one time, the industry experimented with copy protection schemes to shield their products against unauthorized duplication, that effort has long since been abandoned. Why software designers abandoned copy protection is subject to various explanations. Pam Samuelson suggests that it was dropped because it was a temptation to hackers, and because it led to user resistance.[44] Ariel Katz notes that, while those explanations were valid at the time, they do not account for the industry's subsequent failure to develop improved technological fixes against piracy.[45] They have not done so, he claims, because piracy actually is economically beneficial to software companies. It helps increase the size of the pre-existing installed user base, with the result that the software becomes more and appealing to more new users as the numbers of existing users increases.[46] Whether the lack of copy protection is canny business strategy or a desire not to annoy buyers, software is eminently copyable, but software creation continues to be a lively economic sector of the high tech world.

Publishers, too, are fearful of economic damage from individuals making their own digital copies of works once they are available in electronic form, a factor which may have retarded the entry of many publishers into the e-book market. Not surprisingly, one member of the industry

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[43] Bus. Software Alliance, 2010 Piracy Study (2011), *available at* http://portal.bsa.org/globalpiracy2010/downloads/study_pdf/2010_BSA_Piracy_Study-Standard.pdf.

[44] She writes:

> The main reason for the failure of copy protection schemes was that consumers did not favor them. Software consumers felt that they should be able to make backup copies of their programs. They could not do this with copy-protected software. Companies marketing only copy-protected software found themselves losing out in the marketplace to those firms willing to risk distribution of unprotected programs. Eventually, software developers adapted to market demands by abandoning sales of copy-protected software altogether.

Pamela Samuelson, *Will the Copyright Office Be Obsolete in the Twenty-first Century?*, 13 Cardozo Arts & Enter. L.J. 55, 59 (1994).

[45] Ariel Katz, *A Network Effects Perspective on Software Piracy*, 55 U. Toronto L. Rev. 155, 160 (2005).

[46] *Id.* at 214. This is known as a network effect. He also suggests that, as high switching costs lock in users of illegal copies, companies may also be able to charge more than the going price when the user tries for any reason to regularize his situation. *Id.* at 215.

referred to digital copying as "the great nightmare."[47] On the other hand, publishers, too, concede that real difficulty exists in proving either the extent of piracy or the extent to which pirated copies substitute for purchases.[48]

The response to the fear has been for the copyright community to grasp for tools both inside and outside copyright that will allow them to cast a net over all this copying. Various digital rights management techniques, from copy controls to digital watermarks, are now available and in many cases, taking steps to evade these techniques can make the user liable not only for infringement but for violating laws that specifically make such circumventions civilly and criminally actionable, independent of any infringement claim.[49] Pressure is increasing on Internet service providers

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47 This quote is attributed to Ted Narkin, vice-president of McGraw-Hill's professional book division. Bob Tedeschi, "*E-Commerce Report: On-Line Publishing Ventures Are Still Looking for a Way Around Readers' Sales Resistance*," N.Y. TIMES, Oct. 4, 1999, at C14.

48 ASS'N OF AM. PUBLISHERS, COMMENTS IN RESPONSE TO THE DEPARTMENT OF COMMERCE "INQUIRY ON COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE INTERNET ECONOMY 1-4 (2010), *available at* http://www.publishers.org/_attachments/docs//issues//piracy-aap%20response%20to%20noi%2012-10-2010.pdf.

49 *See* Digital Millennium Copyright Act, 17 U.S.C. § 1201(a), (b) (identifying prohibited acts); §§1203, 1204 (setting out civil and criminal penalties). The European Union issued a directive, Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonization of certain aspects of copyright and related rights in the information society, designed to import similar concepts into European national laws. The directive, however, proved "more contentious than its drafters foresaw," delaying its implementation. FOUND. FOR INFO. POLICY RESEARCH, IMPLEMENTING THE EU COPYRIGHT DIRECTIVE 2 (2003?), *available at* http://www.fipr.org/copyright/guide/eucd-guide.pdf. The effectiveness of the directive was called into question in a study commissioned by the EU. IVIR, Study on the Implementation and Effect in Member States' Laws of Directive 2001/29/ec on the Harmonisation [sic] of Certain Aspects of Copyright and Related Rights in the Information Society (2007). *See* IViR, EXECUTIVE SUMMARY OF FINAL REPORT (2007), *available at* http://ec.europa.eu/internal_market/copyright/docs/studies/infosoc-exec-summary.pdf. One domestic attempt, at the state level, to add legal protections for self-help, was the Uniform Computer Information Transactions Act (UCITA). UCITA, promulgated in 1999 (although subsequently amended) was designed to make nonnegotiable shrink wrap and click wrap licenses enforceable. These contracts often contain terms that deny consumers rights that copyright would ordinarily grant. Although the uniform act was adopted by a couple of states (Maryland and Virginia), it proved too controversial for wide adoption and within a couple of years the Commissioners of Uniform Acts ceased attempting to convince states to pass it. *The Uniform Computer Information Transactions Act (UCITA) Is a Proposed State Contract Law*, UCITA ON LINE (2012), http://www.ucitaonline.com. For the current sta-

and Internet hosting sites to take action (including denial of further service) against those who upload or download copyrighted materials without the owner's permission.[50]

Critics complain that many enforcement techniques are overly draconian, imperil privacy and free speech, harm educational institutions, upset the traditional copyright balance between the interests of users and producers, greatly exaggerate the harm that copyright owners suffer from private copying, and are unfair to users.[51] Claims are also made that too tightly caulking the copyright system will lead to abusive market practices[52] and cast a pall on the creation of new works.

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tus of the law, see *Computer Information Transactions Act*, UNIFORM LAW COMMISSION, http://www.uniformlaws.org/Act.aspx?title=computer%20Information%20Transactions%20Act (last visited Sept. 18, 2013).

[50] Two recent attempts to force more aggressive action by ISPs failed in Congress. *See* Stop Online Piracy Act (SOPA), H.R. 3261 (112th Cong.) (2011); Protect IP Act (PIPA), S. 968 (112th Cong.) (2011). *See also* Statement from Chairman Smith on Senate Delay of Vote on PROTECT IP Act (Jan. 20, 2012), *available at* http://judiciary.house.gov/issues/issues_RogueWebsites.html. Recently, however, a group of ISPs and content owners have entered a voluntary agreement to institute a "Copyright Alert System" (CAS) that could ultimately lead to what are termed "mitigation measures" short of denial of service. For a description, see *How CAS Works*, CENTER FOR COPYRIGHT INFORMATION, http://www.copyrightinformation.org/faq (last visited Sept. 18, 2013).

[51] Some assert that the only fairness concern that need trouble regulators is ensuring that economically underprivileged persons are not further disadvantaged by the inability to pay the modest licensing fees that Internet content providers will charge. WORKING GRP. ON INTELLECTUAL PROP. RIGHTS, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE 53, 84 (1995), *available at* http://www.uspto.gov/web/offices/com/doc/ipnii/ipnii.pdf.

[52] Copyright owners argue in response that copyright does not convey a classic monopoly and therefore they lack the market power that could endanger continued, open, and affordable access to work. Although the subject was the economic impact of legislation that had been proposed several years ago to protect the content of factual databases, Kenneth Dam gave expression to the standard view on the likelihood that information products can be the subject of monopoly pricing. He wrote: "The likelihood of full monopoly pricing is easily exaggerated. Just because there may be only one database in a particular scientific field, it does not follow that full monopoly prices can be charged. To do so could easily invite entry [by competitors]." Kenneth W. Dam, Intellectual Property and the Academic Enterprise 16 (John M. Olin Law & Economics Working Paper 68, 2d Series), *available at* http://www.law.uchicago.edu/files/files/68.Dam_.IP_.pdf (last visited Sept. 18, 2013) (The paper also appears in *The Changing Character, Use and Protection of Intellectual Property* (German-American Academic Council Foundation 1999). A major reason that many, including Dam, assume the absence of market power in copyright is that substitution can so easily occur. This

But perhaps the biggest question of all is whether or not the panic in any of these cases has a factual predicate. Is there harm? And if so, how much and what kind? Why is it so hard to prove if it exists? No claim is made that this Article provides answers in a definitive way for all modern technologies. But what it does offer is a careful examination of the experience with one such modern technology — photocopying — over the last half century. Although photocopying differs in important ways, particularly from digital technologies, the hope is that understanding its story will not only affect how we think about that particular form of reproduction, but that it will provide some food for thought in evaluating the costs and benefits of restrictive approaches to its more modern successors.

B. Why Study Photocopying?

Photocopying is an interesting model for a study of noncommercial copying for a number of reasons. First, the sorts of arguments made for and against allowing users to engage in noncommercial copying of materials in digital form bear an uncanny similarity to those made over the fifty-year life of the "Battle of the Photocopier." Back in the sixties and seventies, publishers also insisted that because photocopying was so cheap and easy, unlicensed use of it to copy for personal or educational purposes would result in economic devastation for content providers, who would now be competing with "free" versions of their own work and could no longer sell enough copies to maintain a viable business.[53]

But a second interesting facet of the photocopying dispute is that is has almost entirely involved copies that were made for personal or small group use and without any obvious commercial aim. This distinguishes the photocopying dispute from that over copying movies or recorded music, where the data often lumps together personal or small group copying with that of large commercially oriented operations.

Finally, photocopying is an especially appealing case study because it comes complete with its own imperfect, but nonetheless useful, control group. Early in the story, publishers had little success in controlling personal and educational photocopying, and therefore were forced to operate under a very leaky regime. Eventually, however, as a result of a variety of high-profile judicial decisions by lower courts and the formation of a

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subject will be dealt with in greater length later in this paper. *See infra* text accompanying notes 178–196.

[53] Indeed, similar claims have greeted a number of new technologies. *See supra* notes 31–48 and accompanying text. In the long run, it would be difficult to show that the record industry, the film industry, and television were any the worse for these technologies. A more complete study of the relationship between the copyright industries and unconsented copying will, hopefully, eventually be done to include case studies in these other technologies.

rights-clearance mechanism, a switch occurred, and photocopy licensing became routine for many educational institutions and businesses (albeit not, I believe, for most individuals making copies for themselves or their friends). Indeed, licensing is now a substantial revenue source for publishers (and to a lesser degree, for authors).

Although publishers of hard copy have less available to them in the form of self-help mechanisms than do digital content owners, they have succeeded in making the risk of a lawsuit for unlicensed photocopying, at least in institutional settings, substantial enough to encourage widespread voluntary compliance with their demand that license fees be paid. It should be possible, therefore, to use the experience with photocopying to learn something about the impact on copyright owners of massive uncontrolled copying, and also to understand something about the relationship, if any, between copying and the pricing decisions and overall economic health of an important sector of content-producers.[54]

Although this article tries to bring together a broad collection of previously disconnected information about photocopying practices and their economic consequences, the special focus will be on the impact of the technology on scholarly journals, with particular emphasis on what was going on in the academy. For a variety of reasons, the claim by publishers of scholarly journals that they were peculiarly damaged by photocopying was the issue that became a major focus of congressional attention during the drafting of the 1976 Act, and over the next decades the copying of academic journal articles became the poster child for the embattled copyright community. The user groups most vocal in their defense of photocopying without a license, unsurprisingly, were librarians, researchers, and faculty.[55]

Academics study the things they worry about. As a result, a vast body of economic, information science, and other literature on photocopying, journal pricing, and other elements critical to understanding the impact of weak and tight controls on the shape of information production and use is available to be organized and evaluated. This material is relied on here for much of the interpretation that follows.

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[54] But even if the reader at the end rejects the relevance of the photocopying to the digital future, the exercise will nonetheless be of some use. After all, photocopying, and whether it is fair use or foul, remains a vexing question for owners and users in its own right, and may demand its own set of policy correctives.

[55] Interestingly, today, among the most vocal opponents (so far with only limited success) to ratcheting up the level of protection for digital information products are also librarians, researchers, and academics who continue to express concern over the vulnerability of academic pursuits to what they see as overly aggressive copyright and information ownership policies.

III. THE CASE HISTORY

As indicated in the introduction, the only copyists who counted, historically, as infringers were those who produced wares for commercial distribution. To infringe, the wrongdoer usually needed access to substantial assets, such as a printing press, paper, bookbinding, and a distribution system. It would not be worthwhile to infringe unless the actor was confident of covering those significant costs. Noncommercial copying was not costly in the same sense, but it was sufficiently time-consuming to copy a book or an article by hand or by typewriter that copyright owners could afford to view the impact on their economic well-being as insignificant.[56]

A. In the Beginning: From 1959 to the 1976 Copyright Act

Then Xerox Corporation introduced its original office copier in 1959.[57] With access to a copying machine at work, in a library, or even at home, it became practical for the first time to reproduce one or two copies of an article or even an entire book fairly quickly instead of taking notes or laboriously typing out the copy. In this regard, photocopying machines, albeit clumsier and less efficient than digital copying, threatened copyright owners with a similar loss of physical control over their products. During the long genesis of the 1976 Copyright Act, how, under the law, to treat photocopying (particularly by libraries for their clients) was the subject of much discussion and disagreement.[58]

One reason, as previously noted, is that statutory copyright had not yet expressly confronted the legitimacy of copying for noncommercial, private purposes. Copyright owners were adamant from the start that photocopying was, per se, a violation of copyright, but in fact there was considerable uncertainty in Congress about whether this was so, and if so, the extent to which it should nevertheless be privileged. While the debate was going on, however, a scientific journal publisher in the early 1970s launched what may have been intended as a preemptive strike by suing two major federal research libraries.[59] According to the estimates relied on by the court, the National Institutes of Health had distributed 93,000 unlicensed copies of scientific articles to doctors and researchers who requested them in 1970; the National Library of Medicine made approxi-

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[56] For a discussion of early forms of private copying in multiples, see *supra* note 2.

[57] *See supra* note 6.

[58] A succinct rendition of the long negotiations over fair use and photocopying can be found in U.S. COPYRIGHT OFFICE, REPORT OF THE REGISTER OF COPYRIGHTS, LIBRARY REPRODUCTION OF COPYRIGHTED WORKS (17 U.S.C. 108), at 6-18 (1983).

[59] Williams & Wilkins Co. v. United States, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975).

mately 120,000 unlicensed copies for its users in 1968.[60] The publisher lost the case. The Court of Claims ruled in 1973 that the government's activity constituted "fair use."[61] An equally divided Supreme Court affirmed the lower court's decision in 1975.[62] The *Williams & Wilkins* case, in retrospect, is important not simply for its holding, but for the fact that it assumed that photocopying by parties such as libraries for their clients was indeed prima facie infringement. Nevertheless, it concluded that where, as here, the copying was nonprofit and for a socially significant purpose, the fair use doctrine offered a defense.

Congress in the end chose to address the question of photocopying as a fair use explicitly as it related to libraries, largely tracking the resolution in *Williams & Wilkins*. Section 108 of the new statute exempted research libraries and libraries open to the public[63] from liability for making single copies of articles at a user's request or even, under some circumstances, of entire works for purposes of scholarship and research. The statute said that libraries were free to make photocopies for their patrons, but only if they were making "isolated and unrelated reproduction or distribution of a single copy . . . of the same material on separate occasions."[64] The section also permits libraries to copy for purposes of interlibrary loan,[65] so

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[60] *Id.* at 1348-49. For further discussion, see GOLDSTEIN, *supra* note 30, at 64; WILLIAM PATRY, THE FAIR USE PRIVILEGE IN COPYRIGHT LAW 179 (1985).

[61] A "fair use" is one that can be made without permission or payment. Until the 1976 Copyright Act was passed, fair use was entirely a judicially-derived doctrine; it was included in a copyright statute in the United States for the first time in the 1976 Act. 17 U.S.C. § 107 (2006).

[62] *See* Williams & Wilkins Co. v. United States, 420 U.S. 376 (1975).

[63] 17 U.S.C. § 108(a)(2) (2006).

[64] *Id.* § 108(g). The statute goes on in subsection (g)(1) to add that the privilege to make copies for patrons does not extend to situations where the library "is aware or has substantial reason to believe that it is engaging in the related or concerted reproduction or distribution of multiple copies . . . ." Professors Jane Ginsburg and Robert Gorman, in an earlier edition of their copyright casebook, said the following with regard to the ambiguous terms of Section 108: "It is no wonder that some libraries, preferring to avoid th[is] mine field . . . are removing themselves from photocopying activities," in large part by asking patrons to use coin-operated machines to do the copying themselves. ROBERT A. GORMAN & JANE C. GINSBURG, COPYRIGHT CASES AND MATERIALS 722 (5th ed. 1999).

[65] 17 U.S.C. § 108(d) (2006). A set of guidelines implementing the provision on interlibrary loans was promulgated by the National Commission on New Technological Uses of Copyrighted Works (CONTU). NAT'L COMM'N ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS, FINAL REPORT OF THE NATIONAL COMMISSION ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS 135-37(1978) [hereinafter CONTU REPORT], *available at* http://digital-law-online.info/CONTU/contu18.html.

long as such photocopying does not occur "in such aggregate quantities as to substitute for a subscription to or purchase of such work."[66]

Section 107 of the 1976 Act, which codified general principles of fair use for the first time, also mentions photocopying in its preamble, giving as one example of a possible fair use "teaching (including multiple copies for classroom use)." Whether additional statutory attention should be paid to photocopying was a question punted to a special study commission commonly known as CONTU.[67] CONTU authorized a number of studies on the issue; although different points of view were expressed,[68] the group charged with studying photocopying came back with the conclusion that allowing nonprofit photocopying was socially beneficial and not injurious to copyright owners.[69]

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66 17 U.S.C. § 108(g)(2) (2006). The guidelines set out what is sometimes referred to as the "rule of five." That is, under the guidelines, libraries for interlibrary loan may photocopy no more than five articles from any given periodical (not issue) or other work a year. The rule applies to works published within the prior five-year period only (reasonableness with regard to older works is left undefined). CONTU REPORT, *supra* note 65, at 136-37. For a discussion of the rules, see *Interlibrary Loan: Copyright Guidelines and Best Practices*, COPYRIGHT CLEARANCE CENTER (2007), *available at* http://www.copyright.com/media/pdfs/ILL-Brochure.pdf; Mary Brandt Jensen, *Is the Library Without Walls on a Collision Course with the 1976* COPYRIGHT ACT*?*, 85 LAW LIBR. J. 619, 683-85 (1993); Johanna E. Tallman, *One Year's Experience with CONTU Guidelines for Interlibrary Loan Copies*, 5 J. ACAD. LIBR. 79 (1979). As a result, much of the exchange of photocopies through interlibrary loan is subject to licensing by copyright owners.

67 CONTU's members were appointed by President Ford in 1975, and spent three years studying the effect of various forms of technological reproduction of copyrighted works. Photocopying was a significant part of the mandate of CONTU. Chapter Four of the Report is devoted to the subject. The dispute over the legitimacy of photocopying was not unique to the United States. For discussions of the issue, at roughly the same time in other parts of the world, see, e.g., Maurice B. Line & D. N. Wood, *The Effect of a Large-Scale Photocopying Service on Journal Sales*, 31 J. DOCUMENTATION 234, 234 (1975); David M. Wylie, *Photocopying – the New Heresy?*, 39 N. ZEALAND LIBR. 174 (1976).

68 The journal publishers, unsurprisingly, were opposed to treating photocopying as a fair use, with many anticipating the development of a revenue stream from permissions that would be provided by a photocopying clearing house. CONTU REPORT, *supra* note 65, Appendix H – Summaries of Commission-Sponsored Studies, in Research Center for Library and Information Science, Graduate Library School, Indiana University at Bloomington, *Survey of Publisher Practices and Current Attitudes on Authorized Journal Article Copying and Licensing*.

69 The summary of a report by the Public Interest Economics Center (PIE-C) reported that:

> no one making photocopies of copyright material should have to pay the publisher a copying fee unless the photocopies are resold. These econo-

When the CONTU Report was issued in 1978, it said the following:

> The Commission's investigations and the testimony it heard support the determination that, with one exception, the Commission need not recommend changes in the provisions of the Copyright Act of 1976 affecting photocopying. The one exception deals with photocopying by organizations that are in the business of making copies.[70]

The implication of this conclusion was that the only "unfair" uses of photocopying equipment for noncommercial ends were the making of the copies by intermediaries for whom the activity was a business — that is, copy shops. For whatever reason, Congress did not amend the law as CONTU suggested.

The question of the "fairness" of personal copying and of noncommercial copying for group uses, however, continued to be controversial. The statute itself seemed to embody considerable ambiguity. Although the preamble of Section 107 suggested that photocopies could be "fair," how generously one could interpret that possibility was thrown into question by language in the Section 108 exemption for libraries, which states in passing that:

> Nothing in this section—. . . excuses a person who uses such reproducing equipment or who requests a copy or phonorecord under subsection (d) from liability for copyright infringement for any such act, or for any later use of such copy or phonorecord, if it exceeds fair use as provided by section 107.[71]

The lack of clarity was especially distressing to institutions of higher education. Photocopying was a useful way to update courses, or to tailor materials for courses not adequately supported by existing texts. Universities, however, were understandably concerned about risking suits over the question of whether, in any particular instance, the practices of faculty in making such copies were indeed "fair." Professor Ann Bartow reports that, prior to the passage of the 1976 Act, twenty-five universities peti-

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> mists found that the overall publishing industry had adequate returns. They were unable to find that photocopying especially has a deleterious effect on publishing. Hence, they saw no reason why students, teachers, researchers, and librarians should not be able to make essentially unlimited numbers of photocopies for their own noncommercial use. Specifically, PIE-C recommended that any organization that qualifies for tax exemptions under section 501(c)(3) of the Internal Revenue Code be permitted to do such copyright-exempt internal photocopying as long as the copies are not resold.
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> *Id.* Appendix H – Summaries of Commission-Sponsored Studies, PIE-C, *An Analysis of Computer and Photocopying Issues from the Point of View of the General Public and the Ultimate Consumer.*

[70] CONTU REPORT, *supra* note 65, at 119.

[71] 17 U.S.C. § 108(f)(2) (2006).

tioned for an explicit exemption to allow photocopying for education purposes.[72]

Instead of granting the academy the kind of highly specific exemption won by libraries, Congress incorporated into the legislative history of Section 107 something called the Guidelines for Classroom Copying in Not-for-Profit Educational Institutions.[73] The Guidelines were not a product of Congress; rather, they were promulgated by an ad hoc group of educators, authors, and publishers.[74] The guidelines seemed to be directed more toward the needs of elementary and high schools than colleges and universities, being fairly ungenerous in detailing the kinds and amounts of photocopying for classroom use that was acceptable. For that reason, the guidelines were unacceptable to such organizations as the Association of American Law Schools and the American Association of University Professors.[75] Furthermore, the exact purpose of including the Guidelines in the Act's legislative history was unclear. Debate continues today over whether the Guidelines are authoritative and, if so, whether they set a minimum or a maximum for the amount of copying that could constitute fair use.[76]

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72 Ann Bartow, *Electrifying Copyright Norms and Making Cyberspace More Like a Book*, 48 VILL. L. REV. 13, 32-33 (2003).

73 H.R. REP. NO. 94-1476, at 65-74 (1976).

74 Guidelines for Educational Uses of Music, *id.* at 70-72.

75 *Id.* at 72; Bartow, *supra* note 72, at 33-34.

76 The House of Representatives, in its report, refers to the Guidelines as establishing a baseline, suggesting that copying in excess of what they would allow might nevertheless be fair use. *See* H.R. REP. NO. 94-1476, *supra* note 73, at 72. But the lack of authority on the point has allowed for considerable litigation. Starting in the early 1980s, a number of suits were brought against academic institutions or those who copied on their behalf (NYU was a defendant in one of these). Most settled out of court, creating anxiety among academic institutions but leaving the plaintiffs with little in the way of clear law on the issue of licensing. The most recent case discussing the guidelines is *Cambridge University Press v. Becker*, 863 F. Supp. 2d 1190 (N.D. Ga. 2012); there the court refused to treat them as setting a cap on what could be considered fair use with regard to copying for educational use. *Id.* at 27-28. A couple of cases were also brought against educators for instances of non-mechanical copying, and were then cited as evidence that educational institutions had no right to provide students with photocopied materials. These cases, however, involved the making of derivative works, and as a result of their peculiar facts (or the time when the suit was brought) were of doubtful precedential value on the issue of photocopying materials for use in teaching. For example, *Marcus v. Rowley*, 695 F.2d 1171 (9th Cir. 1983), involved copying of about a third of someone else's work, with no acknowledgment of its source, into her new classroom materials. The second, *Wihtol v. Crow*, 309 F.2d 777 (8th Cir. 1962), involved the adaptation and subsequent distribution in multiple copies, of a piece of choral music. Both decisions preceded the Supreme Court ruling in *Sony Corp. of*

Adding to the uncertainty over the legitimacy of nonprofit and personal copying was a major Supreme Court case, decided in 1984, involving another new technology.[77] *Sony* was an attack by the movie and television industries on the recently introduced Betamax, a device that could be used by owners to record and save broadcasts received by their home television sets. Although the actual defendant was the company that made the Betamax, a major focus of the Court's debate was over the behavior of those making the actual copies. The rule that the majority agreed to apply was one borrowed from patent law. Under it, an actor could be barred from making or vending something that enabled infringing activity to occur only if the device or technology had no legitimate non-infringing use. The Court then examined what users did with the Betamax and concluded that a substantial number of them used it to record programs they would otherwise have missed, watched them when it was convenient, and then erased them. Although the Court appeared to take a more negative view about the "fairness" of the other common use — recording for the purpose of creating a library of video offerings — the majority agreed that time-shifting, at the very least, was "fair." While many ways can be found to read the holding in *Sony* narrowly, at the time it assuredly added weight to the argument that, as long as people were copying for their own use or for a nonprofit publicly beneficial purpose, their actions were likely to fall safely within the harbor provided by "fair use."

Whatever the doubts and debates about the status of noncommercial photocopying in those early years, users clearly did not think that they were engaging in illegal behavior when they made personal copies or copies for classrooms; photocopyists used the machines without guilt or hesitation. My husband tells the story of meeting a colleague at a publicly accessible photocopying machine in a major university library. The colleague jokingly told him, "These machines are wonderful. I can copy in five minutes what it used to take me two hours to read!" Looking back, it is easy to see that photocopying was rapidly supplanting handwritten notes for reference and research purposes, was supplementing or even replacing printed texts in classrooms, and was allowing people to share items of interest casually with friends and family.

Sony, the *Williams & Wilkins* case,[78] and the vagueness of section 107 aside, a factor that complicated any serious efforts by copyright owners to push more assertively to gain control over nonprofit photocopyists was the

America v. Universal City Studios, Inc., 464 U.S. 417 (1984), and operated on the assumption that it could never be fair use to copy all or substantially all of a work without permission.

[77] Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984).

[78] Williams & Wilkins Co. v. United States, 487 F.2d 1345 (Ct. Cl. 1973), *aff'd by an equally divided court*, 420 U.S. 376 (1975).

sheer complexity of licensing thousands, indeed millions, of low-value transactions. An early study conducted by students at the University of California (Los Angeles) [UCLA] under a grant from the National Endowment for the Arts noted that one publisher, McGraw-Hill, found that it cost it $65,000 at the time to take in $35,000 in fees for noncommercial copying.[79] Licensing on a case-by-case basis was just too expensive to administer.

Publishers, taking a leaf from the practices of the music industry, attempted to overcome this difficulty by setting up a collective rights organization to license and manage photocopying rights. The Copyright Clearance Center (the CCC) was formed in 1978, the same year that the CONTU Report was issued. CCC's initial focus was on facilitating licenses for businesses to photocopy, but getting clients to buy licenses turned out to be a difficult process.[80] Publishers did not rush to make their content available, either, so that by the early 1990s, the CCC still represented only a comparatively small fraction of journals.[81] Hence users who wanted to obtain permissions were still largely left to identify, locate, and bargain with, each relevant copyright owner. The most avid owners' rights advocates had to face up to the fact that the transactions costs involved in such an effort were a serious barrier to compliance. Having gone through the process myself, I can attest that it was labor-intensive, and that the result of a request for permission was often total silence on the part of the prospective licensor.

Thus, from 1959 until the early 1990s, unlicensed photocopying was largely uncontrollable and voluminous. In the *Williams & Wilkins* suit, plaintiff alleged that more than 200,000 copies of individual articles were made in a single year by the two federal libraries. Clearly this was small potatoes relative to the situation nationwide. A number of empirical studies of the quantity of photocopying were done in the late 1960s and the

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[79] Comment, *New Technology*, *supra* note 10, at 962. A 2006 study of barriers to educational uses of digital materials shows that the problem has not gone away. The authors note that "large rightsholders and intermediaries may simply ignore approaches from small would-be educational users." William W. Fisher & William McGeveran, The Digital Learning Challenge: Obstacles to Educational Uses of Copyrighted Material in the Digital Age: A Foundational White Paper 82 (2006) (Berkman Center for Internet & Society, Research Publication No. 2006-09).

[80] The 1988 Copyright Office report on photocopying indicates that the Copyright Clearance Center had few clients and those it had frequently reported no instances of copying that required licensing. *See supra* note 58, at 29-34.

[81] Am. Geophysical Union v. Texaco, Inc., 60 F.3d 915, 937 (2d Cir. 1994), as amended Dec. 23, 1994 and further amended July 17, 1995 (Jacobs, J., dissenting) (only 30% of the journals subscribed to by institutions like Texaco covered by CCC licensing).

1970s, mostly dealing with libraries. One estimate was that close to 164 million copies of articles or other text blocks were made in libraries in 1969 alone.[82]

In 1977, another such study, looking only at copying by library staff, came up with the slightly more modest estimate of 114 million items copied.[83] The study also pointed out one of the many complexities of estimating harm to copyright owners from copying: it found that only about 54 million (or some 48%) involved copyrighted materials.[84] The 1977 study did not include any estimate of the extent of copying in libraries by individuals engaging in unsupervised use of coin-operated machines. Of particular interest was its finding that articles from serials were the most frequently copied; of those, 79% were covered by copyright.[85] The journals most subject to photocopying were scientific and technical ones, accounting for 64% of the total.[86]

Journal publishers argued that this volume of photocopying (by and for local users and via document retrieval services) threatened to force down their number of paid subscriptions to an unsustainably low level. The UCLA student study claimed that, within the first decade of the availability of the Xerox office copier, damage to publishers was clear. To support this, the authors cited anecdotal evidence, including statements by an executive at Williams & Wilkins attributing cancellation of the production of two journals and a 50% drop in revenues of another journal that had been in existence for fifty years to the effects of unlicensed photocopying.[87]

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82 Stephen Breyer, *The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies, and Computer Programs*, 84 HARV. L. REV. 281, 316-17 (1970). Justice Breyer was citing to a 1967 study by the Committee to Investigate Copyright Problems, estimating that 1.8 million pages of photocopies would be made in 1969, averaging eleven pages per selection.

83 NAT'L COMM'N ON LIBRARIES & INFO. SCI., LIBRARY PHOTOCOPYING IN THE UNITED STATES: WITH IMPLICATIONS FOR THE DEVELOPMENT OF A COPYRIGHT ROYALTY PAYMENT MECHANISM 3 (1977).

84 *Id.* The phenomenon was not limited to the United States. In a well-known report on the impact of photocopying by British libraries, the authors stated that the number of pages copied increased by 36% from academic year 1970–71 to 1972–73. Line & Wood, *supra* note 67, at 234,

85 NAT'L COMM'N ON LIBRARIES & INFO. SCI., *supra* note 83, at 4. Almost 86% of this copying involved only 20% of serials. *Id.* at 10.

86 *Id.* at 146.

87 Comment, *New Technology*, *supra* note 10, at 994. In a 1967 book on photocopying, a similarly grim prediction was made. The author wrote that if physicians persist in copying only what interests them from medical journals and canceling their personal subscriptions, they will cause the destruction of publishing in this area. "For a time, the medical publisher may continue to edit and sell the journal, perhaps operating at a loss or raising the subscription price until the eventual demise of the magazine as an unprofitable ven-

A similar account of the effects of photocopying was offered a decade later by a representative of the publishing industry who wrote that unregulated copying had caused a destructive downward spiral in his company: falling numbers of subscriptions were leading to rapidly rising prices, which in turn were leading to further reduction in subscriptions. The result, he claimed, was a crisis in scientific journal publishing such that "the total collapse of scientific information dissemination" was a realistic possibility. Specialized "core" scientific journals, in particular, were deemed at risk because they tended to rest on small circulation bases. For example, the author pointed out that the six most important journals published by his company averaged only 2,250 subscriptions a piece world-wide, and in two cases, actually had only 1000 subscribers.[88] Extensive testimony prior to the passage of the 1976 Copyright Act similarly warned that photocopying would kill the legitimate publishing industry.[89] In summary, the use of photocopiers was supposed to be responsible for pushing up subscription costs and closing down journals.

B. The Subscription Price Issue

The "hard" data that was considered the strongest evidence of the disaster to journal publishers that the photocopier represented was the dramatic upward movement of subscription prices, particularly for scientific, mathematical, and technical journals, after the introduction of the photocopier. The rate of increase was well above the rate of inflation and, suggesting that photocopying was also bad for the public interest, libraries found themselves increasingly hard-pressed to deal with these increases within the confines of their annual acquisition budgets. The problem for libraries was exacerbated because, as time went on, they were increasingly likely to be charged far more for each subscription than were individuals. Because journal pricing became such a bone of contention between pub-

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ture. At that point, the doctor will have zero articles to Xerox from that particular publication." GEORGE A. GIVE, COPYRIGHT AND THE MACHINE: NEARER TO THE DUST 6-7 (1967).

88 E. Van Tangerine, *The Effect of a Large-Scale Photocopying Service on Journal Sales*, 32 J. DOCUMENTATION 198, 199 (1976).

89 *See, e.g., Copyright Law Revision: Hearing on H.R. 2223, Hearings Before the Subcomm. on Courts, Civil Liberties, and the Administration of Justice of the Committee on the Judiciary of the H. Comm. on the Judiciary*, 94th Cong. 221-22 (1975), *available at* http://archive.org/details/copyrightlawrevi01unit (statement of Irwin Karp, Counsel, Authors League of America) (journal publication a "marginal" business and will be severely injured by unlicensed photocopying; *id.* at 230 (statement of Robert W. Cairns, Executive Director, American Chemical Society) (same), *available at* http://dcom.sirsi.net/Archimages/451.PDF.

lishers and, in particular, academic libraries, it became the subject of numerous studies.

For example, one study of the pricing of agricultural and biological science journals found that, over a period of six years, the journals in question averaged an increase in price on a per page basis of 67.7%.[90] But what virtually all the studies agreed on was that the price increases for journals put out by large commercial publishers were of an entirely different order of magnitude[91] from that of journals produced by professional associations and other nonprofit entities.[92] The sums of money per subscription for commercial journals were (and are) often surprisingly large in absolute as well as in relative terms. It is not uncommon for commercially published scientific and mathematical journals in particular to sell for many thousands of dollars a year per subscription.[93]

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[90] CORNELL UNIV. FACULTY TASKFORCE, JOURNAL PRICE STUDY: CORE AGRICULTURAL AND BIOLOGICAL JOURNALS, EXECUTIVE SUMMARY, at ii (Nov. 1998) [hereinafter Cornell Study]. A study of the cost of legal materials (excluding those available on line) also found that costs for some categories of works in the late 1990s outpaced inflation by a considerable margin (in at least one instance the increase was over 28% over the course of three years). Mac M. Clark & Donna Alsbury, *Back to the Future: Predicting Materials Costs by Analyzing Past Expenditures*, 92 LAW LIB. J. 147, 152 (2000). The sciences, however, have experienced the most dramatic pricing problems.

[91] Commercial publishers are sensitive to claims that their products are overpriced. One, Gordon and Breach, responded by suing or threatening to sue critics of its pricing policies. *See, e.g.*, OPA Amsterdam BV v. Am. Inst. of Physics, 973 F. Supp. 414 (S.D.N.Y. 1997), *aff'd sub nom*, Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics, 166 F.3d 438 (2d Cir. 1999) (publishers unsuccessfully sued a University of Wisconsin physicist and two nonprofit societies for violations of § 43(a) of the Lanham Act resulting from articles by the professor purporting to demonstrate that several Gordon and Breach journals were overpriced relative to their value to physicists). The publisher also brought similar suits, apparently also to no avail in the end, in several European countries. Andrew R. Albanese, *Inside Publishing*, 10 LINGUA FRANCA (Dec. 2000/Jan. 2001), *available at* http://linguafranca.mirror.theinfo.org/print/0012/insidepub_suitor.html.

[92] The Cornell Study, *supra* note 90, studied 222 core agricultural and 174 core biological journals (the categories overlapped to some extent; eighty-four journals appeared on both lists). The Taskforce reported that, "The commercial publishers' titles which constituted 40% of all titles are responsible for the average price change being so great, since all the other publisher types are between 55.5% and 33.3% increase." Commercial titles averaged a price per page increase of 64.7%. *Id.* at 8.

[93] The *Journal of Applied Economics*, published by Routledge, costs institutional subscribers in the United States $10,226 a year for a combination of the print and on-line versions; the on-line version alone costs $9,203. *See Applied Economics*, TAYLOR & FRANCIS ONLINE, http://www.tandf.co.uk/journals/journal.asp?issn=0003-6846&linktype=rates (last visited Sept. 18,

The pricing situation seemed on the surface to support precisely the predictions of those who believed that unregulated photocopying would be a disaster that would lead to market failure. It would seem that photocopying was indeed pushing up the cost of journals, which in turn was leading to dropped subscriptions. Professor Ginsburg's prediction of the absurd $1 million a year subscription with no one able to pay for it seemed just over the horizon.[94]

Further support for the thesis that photocopying was responsible for the upward price spiral was found in two other pieces of evidence. Studies suggested that the sharp increases in subscription rates began in the 1960s and 1970s. Between 1960 and 1977, libraries reported a nearly 200% increase in subscription costs, measured in constant dollars.[95] This trend, of course, neatly correlated with the time period during which photocopying equipment first became widely available.

The case was complicated, however, by the paucity of hard empirical evidence to substantiate either a drop in journal subscriptions overall, or a causal link between any drops that did occur and photocopying.[96] Some studies purported to find at least a small effect on subscriptions; others found none at all. What everyone did agree upon was that, predictions to the contrary notwithstanding, the number of journal titles overall continued to increase.[97] A scientist commenting on the photocopying contro-

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2013). *Agribusiness*, a publication of Wiley Periodicals, Inc., has a subscription fee of $2,261 for a combined print/on-line subscription, and it costs $1966 for print only. *See Agribusiness*, WILEY ONLINE LIBRARY, http://ordering.onlinelibrary.wiley.com/subs.asp?ref=1520-6297&doi=10.1002/%28ISSN%291520-6297 (last visited Oct. 10, 2011).

94 *See* Ginsburg, *supra* note 30, at 183. This scenario assumes, as is generally true for copyrighted works, that, independent of the cost of making each additional copy of a work, the copyright owner must also recover what are known as "first copy" costs — that is, all the production costs that are incurred prior to the first copy being sold.

95 DONALD W. KING, DENNIS D. MCDONALD & NANCY K. RODERER, SCIENTIFIC JOURNALS IN THE UNITED STATES: THEIR PRODUCTION, USE, AND ECONOMICS 38 (1981). The study covered the period from 1960 to 1976. These authors, however, viewed the cost increase as a result, not of photocopying, but of "economic pressures" on the publishing industry.

96 Line and Wood wrote that:

> For a loss in potential journal sales less evidence is available. Circulation figures of a sample of 100 journals showed an overall increase of 10% between 1967-8 and 1973-4, only 18 of the 100 showing a decrease. A separate sample, of 50 British journals only, showed an overall increase of 5%.... It is hard to guess what the *potential* increase in sales might have been.

Line & Wood, *supra* note 67, at 235.

97 An extensive study of scientific journal publishing pointed out that, since the inception of the scientific journal in 1665, the number of titles had been

versy around the time of the *Williams & Wilkins* litigation referred to "the increasing flood of new journals that are being established each year." He noted that one publisher alone had introduced thirty-one new specialty journals within a two year period.[98] Even in the humanities, where the financial status of journals was often chronically precarious, 13% of all those in publication in 1973 had been started within the previous four years.[99]

The failure to find a clear negative effect on subscriptions or the numbers of titles published was not the result of failure to look for it. Researchers devoted enormous quantities of time and energy studying the relationship between photocopying and the financial health of journals without ever really being able to substantiate the existence of harm. Repeated studies through the 1970s were either inconclusive or found no evidence of injury.[100]

CONTU's inability to find proof that noncommercial copying in particular damaged journal publishers, was, therefore, just another instance of seeking and not finding. In fact, the Commission actually showed that, despite rampant copying, commercial publishers were continuing to earn a respectable rate of return. The earnings rate, estimated at the time to be a

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growing steadily by about 5% a year, with the number doubling every fifteen years. KING, KING & RODERER *supra* note 95, at 7. Not everyone would agree that the increase in the number of journals is a symptom of the health of the publishing industry. Roger Noll argued, for example, that, at least in the sciences, publishers were driven to proliferate the number of journals by unrealistic conventions and practices of scholarly institutions. Noll claimed that these practices helped to push journal prices upward, destabilizing the publishing industry's profitability. Roger Noll, The Economics of Scholarly Publications in The Internet and Telecommunications Policy: Selected Papers from the 1995 Telecommunications Policy Research Conference 231, 231-34, 237-38 (1996). *See generally* Roger Noll & W. Edward Steinmueller, *An Economic Analysis of Scientific Journal Prices: Preliminary Results*, 18 SERIALS REV. 32 1992). *See also infra* note 180.

98 Maurice B. Visscher, *Copyright and Other Impediments to Scientific Communication, in* COMMUNICATION OF SCIENTIFIC INFORMATION 122 (Stacey B. Day ed., 1975).

99 S.J. LIEBOWITZ, THE IMPACT OF REPROGRAPHY ON THE COPYRIGHT SYSTEM 51 (1981). In his study, done for the Canadian government, Liebowitz noted that this observation was particularly interesting because "this set of journals [was] the least profitable and therefore most prone to claim that outside influences, such as reprography, were harming the journal publishing industry." *Id.*

100 Similar conclusions were reached by Line & Wood in their study of the effects of photocopying by the British Lending Library Division. They found "little hard evidence of declining journal sales so far," and added that what trouble publishers faced seemed more a result of increasing costs of production than of photocopying. Line & Wood, *supra* note 67, at 244-45.

net 6% a year, did not correspond with publishers' claims of financial distress.[101] Their report concluded:

> There is no immediate, measurable crisis in the publication of periodical journal literature — which is, by all accounts, the segment of publishing most directly affected by photocopying. No persuasive evidence exists that journals for which there is sufficient demand are going out of existence because of photocopying. Nor is there a reliable means of separating the effects of photocopying from those of the pressures of rising costs and limited demand on the viability of individual journal titles.[102]

M.B. Line in a 1974 study offered one reason that photocopying was unlikely to have a measurable economic effect on subscriptions — the lack of frequency with which any given article was copied. By his estimate, an article had only a one in twenty chance of being photocopied at all in a given year. He also pointed out that financial losses were hard to substantiate because the money libraries were paying to journal publishers for serials was also steadily increasing.[103]

In 1981, economist Stanley Liebowitz, at the request of the Canadian government, reviewed all the studies that had been done to date in Britain, the United States, and Canada on the impact of photocopying on journal subscriptions, whatever their approach. Most had been made of library practices, some focusing entirely on copying by library staff, while others included copying done by patrons at pay machines. Other studies tried to evaluate the impact of the technology by looking at individual and library subscription data, factoring in increases or decreases in the numbers of potential readers as measured by the influx of new Ph.D.s. Still other researchers examined the quantity of journals published, both in numbers of publications and in numbers of pages to see if claims of damage to the journal publishers could be substantiated in that way. Finally, others collected data on journal pricing over time. After thorough examination of all of them, Liebowitz concluded simply: "The evidence provides very little support for the thesis that photocopying has reduced the demand for journal subscriptions."[104]

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101 *See also generally id.*

102 CONTU REPORT, *supra* note 65, at 121-22.

103 Wylie, *supra* note 67, at 174, 184-85 (citing Maurice B. Line, *Access to Resources Through the British Lending Division*, 27 ASLIB PROC. 8-15 (1975)). In another publication, Line and Wood said that British libraries were spending 17% more each year to keep up with increased prices and increased numbers of journals. Line & Wood, *supra* note 67, at 204, 205. *See also id.* at 236.

104 LIEBOWITZ, *supra* note 99, at v. In a later section of the study, Liebowitz in fact speculated that journal subscriptions were increasing relative to the population of scientists, but pointed out that it would be difficult to obtain the data that would permit anyone to state this categorically. *Id.* at 47. At a

Some of those who continued to puzzle over that absence of any palpable proof of harm to journal publishers theorized that publishers were managing for the time being to cover their revenue losses from copying through their reliance on differential pricing. The introduction of tiered subscription prices did pretty much coincide with the introduction of the photocopier, and publishers increasingly began to charge libraries more — often two or three times more — for scholarly journals than the rate for individual subscribers.[105] Liebowitz [106] posited that this new business model might be insulating publishers from harm if — a claim he viewed as by no means certain[107] — subscriptions were actually being lost as a result of the availability of cheap photocopying. Liebowitz looked, for example, at a sample of economics journals, and found that, among those in existence when Xerox introduced its 914 copier, only 8% price-discriminated at the time between libraries and individual subscribers; by 1983, however, 74% of them did so.[108]

Since this pricing scheme would allow publishers to obtain compensation from those subscribers whose copies were most likely to be repro-

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minimum, he wrote, there had been no dramatic decline in subscriptions. *Id.*

105 That library copies were frequent sources of photocopied articles seems quite uncontroversial. One study found that almost all members of the mathematics, chemistry/biochemistry, and physics/astronomy faculties photocopied from library copies of journals. Cecelia M. Brown, *Information Seeking Behavior of Scientists in the Electronic Information Age: Astronomers, Chemists, Mathematicians, and Physicists*, 50 J. Am. Soc'y for Info. Sci. 929, 935 (1999). *See also* David Pullinger, *Academics and the New Information Environment: the Impact of Local Factors on Use of Electronic Journals*, 25 J. Info. Sci. 164, 165 (1999) (in absence of electronic access, users visit libraries to browse and photocopy).

106 Stan J. Liebowitz, *Copying and Indirect Appropriability: Photocopying of Journals*, 93 J. Pol. Econ. 945, 949-50 (1985). Other scholars similarly pointed to the possible importance of differential pricing. *See* Breyer, *supra* note 82, at 335; John Circace, *When Does Complete Copying of Copyrighted Works for Purposes Other than for Profit or Sale Constitute Fair Use? An Economic Analysis of the* Sony Betamax *and* Williams & Wilkins *Cases*, 28 St. Louis U. L. Rev. 647, 680-81 (1984); Comment, *Photocopying and Fair Use: An Examination of the Economic Factor in Fair Use*, 26 Emory L. Rev. 849, 868 (1977). *Cf.* Stanley M. Besen, Sheila Nataraj Kirby, Private Copying, Appropriability, and Optimal Copying Royalties (1987) (pointing out that differential pricing may, but does not necessarily, allow publishers to maintain profit level).

107 Liebowitz found in his study that subscriptions to academic journals kept pace with the growth of new Ph.D.s, suggesting that publishers were both maintaining their subscription levels, *and* increasing their use of price discrimination, thereby coming out ahead. Liebowitz, *supra* note 106, at 954-55. Others made similar suggestions.

108 *Id.* at 952.

duced, it did not offer a clear justification for excluding nonprofit copying from the control of copyright owners. As defenders of copyright control over photocopying like Professor Ginsburg implied, at some point, however, the need to keep increasing prices to compensate for lost individual subscriptions would eventually result in the collapse of the library subscription market as well. Oddly, though, this argument did not take account of the fact that no one was able to demonstrate conclusively that photocopying had led to any reductions in subscriptions.

C. *The Middle Years: Licenses Are Required, but Prices Continue to Rise*

The copyright community remained convinced, however, that it needed compensation for photocopying. Whether this was because they were convinced that the studies were flawed, or because they believed that, whatever the studies did or did not show, they were entitled to profit from this "new market," is unclear. As noted earlier, in the late 1970s, publishers forged ahead by establishing a clearing house to manage the licensing of photocopying rights.

As noted above, the CCC was originally designed to manage photocopying licenses to corporate customers from serials (that is, journal) publishers.[109] That getting started was not easy is evident in Liebowitz's 1981 report. He found that only 335 journal publishers of the 3800 that were solicited had agreed to license journals through the CCC, and a mere 923 businesses had registered as users of the licensing service.[110] Although within the next year, the number of publishers willing to license through the CCC had nearly doubled;[111] the number of works available was still small relative to the potential pool of publications. It was also apparent that users were in no hurry to sign up to pay royalties, either; in the year after the Liebowitz report was issued, the number of registered licensees had increased by a mere 50%.[112] A study by the Copyright Office says that, in 1984, the CCC actually went to Congress — unsuccessfully as it turned out — to ask it to pass legislation to limit the recovery available for infringement by photocopying if the copyright owner did not license his content through the CCC.[113]

Despite the setbacks in *Williams & Wilkins* and in *Sony,* copyright owners also continued to press for legal recognition of their rights by filing

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109 David P. Waite, *Who's Using the Copyright Clearance Center?*, 17 PROC. OF THE ASIS ANN. MEETING 387 (1980).

110 LIEBOWITZ, *supra* note 99, at 64.

111 The figure was now 604. REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 58, at 30.

112 There were now 1,399 of them. *Id.*

113 *Id.*

more law suits. In a couple of instances, cases were brought against businesses whose employees made unlicensed copies of documents for internal use.[114] In at least three cases, however, rightsholders brushed up against the practices of educators by suing copy shops for making course packs. And in one, the attack on academic photocopying was made explicit by adding a university and several faculty members as defendants.[115] In each instance, however, the dispute was settled, rather than being litigated to judgment. One might fairly assume that neither side was anxious to push these cases too hard out of doubt about the strength of their respective claims. The suits against corporations did have the effect of encouraging more businesses to buy safety from litigation by obtaining licenses and pay permission fees either directly to publishers or to the CCC for the photocopying that they were doing.[116] And they certainly managed to create concern among academic institutions (who at this point could not turn to the CCC for licensing assistance).[117]

By the early 1990s, however, the legal climate began to shift in favor of publishers. A number of high profile suits asserting that photocopying without permission was infringement went to judgment and were won by plaintiffs. Two were against commercial copy shops that prepared course packs for university faculty (although neither the faculty nor the universities involved were joined as defendants).[118] The third suit was something of a replay of *Williams & Wilkins*, dealing with copying by and for researchers — and this time it came out the way copyright owners had hoped the original case would be resolved. Scientific journal publishers successfully sued Texaco, Inc., for infringement based on the practice of permitting research scientists to make (or ask the library to make for

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114 The companies sued were Squibb and American Cyanamid. *Id.* at 27-28.

115 The university defendant was New York University. For a description of these cases, see REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 58, at 25-27.

116 One author who studied the response of several business entities to litigation on photocopying reports that taking a license with the CCC began to be viewed as an insurance policy, and that, as a practical matter, businesses at least became unwilling to take any chances that their practices, even if legitimate, would be tested in court. Kenneth D. Crews, *Copyright at a Turning Point: Corporate Responses to the Changing Environment*, 3 J. INTELL. PROP. L. 277, 292 (1996).

117 *See infra*, text accompanying notes 122–124.

118 The earliest was *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F. Supp. 1522 (S.D.N.Y. 1991). The second was the Michigan Documents case. In that litigation, a panel of the Sixth Circuit found for the defendants, ruling that the making of course packs by a commercial copy shop at the behest of faculty was fair use. The Circuit, sitting en banc, reversed (with a vigorous dissent). Princeton Univ. Press v. Michigan Document Servs., Inc., 99 F.3d 1381 (6th Cir. 1996) (en banc), *cert. denied*, 520 U.S. 1156 (1997).

them[119]) photocopies of scientific articles from journals to which the library subscribed.[120]

D. The Turnaround: Texaco *and Its Cohorts: Same Facts, Different Result*

Although the plaintiffs continued to assert that, at least as to "marginal" publications, the inability to license photocopying would result in closing down journals,[121] the evidentiary ground on which economic harm could be established shifted in an important way. Now, instead of relying solely on the questionable claim that photocopying without permission was a death knell for the industry, the plaintiffs argued that respondents' fair use claims failed the critically important fourth prong — "the effect of the use upon the potential market for or value of the copyrighted work"[122] — because publishers had now created and were exploiting a market for photocopy licenses. Unconsented copying caused direct losses in that market. This argument ultimately turned the tide in favor of the plaintiffs in the courts.

Both the *Kinko's* and the *Princeton University Press* cases addressed academic copying. In each, however, books rather than journals were the primary type of work subject to copying, and commercial copy shops made the actual reproductions. Judge Motley in *Kinko* concluded that the copying at issue "impacts upon the plaintiffs' sales of their books,"[123] even though she recited no supporting evidence.[124] During the litigation, the judge reportedly informed the publishers that the failure to provide the

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119 The library at Texaco's Beacon, New York, research facility did not qualify for the protection of 17 U.S.C. § 108 because that provision is expressly limited to libraries either open to the public, or "available not only to researchers affiliated with the library or archives or with the institution of which it is a part, but also to other persons doing research in a specialized field . . . ." *Id.* § 108(a)(2).

120 Although Texaco had entered into an agreement to pay a licensing fee to the Copyright Clearance Center for any photocopying that took place in the company, the CCC found that virtually no copying was reported to it. Hence, the publishers sued, taking as their target photocopying by and for scientists in a research laboratory operated by Texaco in Beacon, New York.

121 *See, e.g.*, Leslie Hallewell, *The Book Menaced by Underprinting and Overcopying*, 83 LIBR. ASS'N RECORD 376 (1981) (failure to control photocopying will be the end of the scholarly book publishing industry).

122 17 U.S.C. § 107 (2006).

123 *Kinko's*, 758 F. Supp. at 1534.

124 It would have been difficult to do so. A study undertaken by the Association of American University Presses, issued in 1990, found an increase in the number of books published by these presses between 1978 to 1988 in "nearly all disciplines." *Hot Type*, 46 CHRON. OF HIGHER EDUC., Oct. 1, 1999, at A24.

same clearing house service for academic photocopying that CCC offered businesses was a problem, and urged that such a service be offered. As a result, said a spokesman for the CCC, "Our Academic Permissions Service was built literally overnight."[125] The publishers won.

Once the licensing setup was in place, evidence of loss of sales was no longer so important to the courts; they could now point to a different kind of harm — that of lost permission fees for "out-of-print" books.[126] For example, in the subsequent *Princeton University Press* litigation, the plaintiff's whole argument against the fair use defense was not the loss of sales, but the loss of permission fees.[127] The majority hypothesized that "marginally profitable books" could probably not be published at all unless publishers could cross-subsidize them from profits earned through photocopying licenses, but the decision was not based upon estimates of the books that did not get published or that failed to sell the expected amount; instead, the majority rested its holding entirely on the fact that "licensing income is significant" to the publishers.[128]

In the *Texaco* case — this time, involving a corporate rather than an academic user — the plaintiffs put in both kinds of evidence of harm: that relating to losses of royalties for photocopying and also that of lost sales. The plaintiffs argued that photocopies were indeed substituting for additional subscriptions to their journals.[129] Judge Pierre Leval, who tried the case in the District Court, found that the plaintiffs had "demonstrated a substantial harm to the value of their copyrights through such copying,"[130] even though he admitted that, were Texaco unable to photocopy without permission, it would at most have been apt to increase the number of its journal subscriptions by a small number.[131]

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125 The history of the CCC's involvement in academic licensing came from an interview of Frederic Haber, the CCC's General Counsel, by the author on November 18, 2011 [hereinafter Haber interview].

126 *Kinko's*, 758 F. Supp. at 1534.

127 Judge Ryan, in his dissent, wrote:

> The plaintiffs certainly have not demonstrated that the coursepacks affected the market for the original copyrighted works. Neither have they presented any evidence of likely harm to their potential market for derivative works, such as published anthologies. Remarkably, they have limited their showing of "market effect" to the loss of permission fees that they would like to receive from copyshops like MDS.

Princeton Univ. Press v. Michigan Doc. Servs., Inc., 99 F.3d 1381, 1407 (6th Cir. 1996) (Ryan, J., dissenting).

128 *Id.* at 1391.

129 Am. Geophysical Union v. Texaco, Inc. 802 F. Supp. 1, 18 (S.D.N.Y.), *aff'd*, 60 F.3d 915, 937 (2d Cir. 1994) (as amended Dec. 23, 1994 and further amended July 17, 1995).

130 *Id.* at 21.

131 *Id.* at 19.

The Second Circuit subsequently affirmed. For the panel, lost licensing fees seemed to be what carried the day because the court had to agree with Judge Leval that the evidence of the harm to subscriptions caused by photocopying was fairly weak. Ultimately, the majority adopted Judge Leval's stance, stating that "it is reasonable to conclude that Texaco would purchase at least a few additional subscriptions . . . to provide certain researchers with personal copies of particular articles in their own offices" if that demand were not instead filled by photocopying.[132] The Court gave the plaintiffs the benefit of the doubt on this empirical point, in part, it said, because, although the publishers could not prove that photocopying of this sort "impair[s] the marketability of journals," neither could Texaco prove that it did not.[133]

In a sense, the *Texaco* court was demonstrating the problem caused by the dog that didn't bark.[134] By the 1990s, cheap, easy photocopying had been around for more than thirty years, long enough, one might have thought, for the destructive effect of massive photocopying on the publishing industry — on journals and books alike — to be demonstrable, if indeed such an effect existed.[135] Yet, as Judge Jacobs pointed out in his dissent in the *Texaco* case, the numbers of journal titles continued to increase at more or less a constant rate, doubling every ten to fifteen years. At the time of the decision, some 200,000 titles were extant.[136] The scholarship bore out Jacobs's view. An article in the mid-1990s, commenting on the general state of scholarly journals, found that: "This type of recorded knowledge has doubled in quantity about every seventeen years . . . . [I]n

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132 *Id.* at 897.

133 Am. Geophysical Union v. Texaco, Inc., 37 F.3d 881, 896 (2d Cir. 1994).

134 The Register of Copyrights was directed by Congress to report periodically on issues arising from photocopying in libraries. In its second report, issued in 1988, it had no new information to add on the issue of harm; indeed the only notable development was the filing of a number of law suits alleging infringement by photocopying. REPORT OF THE REGISTER OF COPYRIGHTS, *supra* note 58, at 24-29.

135 Judge Merritt, in *Princeton University Press*, said:

> The use complained of by plaintiffs here has been widespread for many years and the publishers have not been able to demonstrate any significant harm to the market for the original works during that time. The publishing industry tried to persuade Congress in 1976 to ban the type of copying done by defendant here. Congress declined to do so and the publishing industry has been trying ever since to work around the language of the statute to expand its rights.

Princeton Univ. Press v. Michigan Document Servs., Inc., 99 F.3d 1381, 1395 (6th Cir. 1996) (Merritt, J., dissenting).

136 *Id.* at 907 (Jacobs, J., dissenting).

the United States, the number of articles published has increased from 208,000 in 1960 to 382,000 in 1977 to 601,000 in 1990."[137]

Not everyone agreed that this was evidence of lack of harm, however. Some economists argued that proliferation was a symptom of academic practices that pushed up publishing costs by expecting journals to address ever-smaller and ever more specialized audiences.[138] The plethora of new specialized journals, in turn, caused older, more generalized journals to raise their subscription rates to compensate for the subscribers they lost to the more specialized journals. In the context of this reality, Roger Noll was convinced that photocopying simply aggravated the vulnerability of publishers. As more journals tried to reach fewer readers for higher prices, they were becoming increasingly unstable, and hence more susceptible to failure if exposed to such additional stresses as scholars and others opting to make photocopies of articles rather than buy subscriptions.[139]

The high vulnerability theory, however plausible, did not adequately account for the fact that profits, particularly of commercial publishers, actually continued to be healthy, if not downright robust. At the end of 1998, for example, one major publisher, Wolters Kluwer NV, showed a net profit margin of 11.3%, up .2% from the previous year.[140] Coincidentally, textbook publishers (another target of photocopyists) also were enjoying continued success, despite having to compete with photocopied course packs. The year 1997, for example, was an excellent one for the textbook market, even when other types of book sales were flat.[141] That same year, other reports showed that commercial publishers of scientific journals

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137 Donald W. King & Jose-Marie Griffiths, *Economic Issues Concerning Electronic Publishing and Distribution of Scholarly Articles*, 43 LIBR. TRENDS 713 (1995).

138 *See supra* note 138. It makes sense that, as long as publish-or-perish is the mantra for gaining tenure and academic recognition, journal proliferation with greater and greater specialization is a likely outcome. On the other hand, this trend may not be as economically costly for publishers as would first appear, since it has also been pointed out that researchers provide the content for these journals free of charge, and in many cases even pay "page" fees to the publisher to get their work into print. *See* CORNELL UNIV. FACULTY TASKFORCE, JOURNAL PRICE STUDY: CORE AGRICULTURAL AND BIOLOGICAL JOURNALS 24-25 (1998).

139 Noll, Information Superhighway, *supra* note 30, at 241.

140 *Wolters Kluwer NV Financials*, HOOVER'S ONLINE, http://www.hoovers.com/annuals/2/0,2168,91352,00.html. These results seem not to be atypical. *See* note 141, *infra*.

141 WILLIAM F. LOFQUIST, STATISTICAL SERIES: U.S. PUBLISHING INDUSTRY 1 (1998), *available at* http://www.springerlink.com/content/g5912w0811913705/fulltext.pdf. Sales continued to strengthen in 1998, along with "university press books and technical, scientific, and professional" ones. *Id.*

were earning profits of as much as 42%.[142]

IV. WHAT THE LITIGATION WROUGHT: THE GROWTH OF THE CCC AND LICENSING

The publicity from these cases emboldened copyright owners to push their claims more aggressively, with the result that more publishers signed up with the CCC, and more schools and businesses, to protect themselves from litigation, began seeking photocopying licenses from it both for class materials and for copies made for research and other noncommercial purposes. The results were immediately apparent in royalty collections. For fiscal years 1993 and 1994, the CCC distributed $32 million in royalties — a figure that represented 60% of all royalties paid by the CCC since its inception in 1978. In 1995, the CCC paid owners another $21.6 million. And by 2000, more than $57 million in licensing fees were distributed to rightsholders. The 2000 Annual Report does not give comparable information, but in 1999, $12.4 million of the $49.5 million in royalties came from the licensing of course packs — an increase of 22% over the previous year.

Since then, the amounts have risen considerably. By 2005, the CCC collected $137.5 million a year and distributed $97.3 million of that as royalties.[143] By then, it was also licensing digital copying as well as photocopying rights (collecting royalties, for example, for material uploaded to such academic services as Blackboard)[144] and, through cooperative arrangements with other rights organizations, collecting royalties from foreign users.[145] The *2010 Annual Report* showed total revenue at $215.5 million, $155.3 of which was distributed as royalties. These figures, of course, do not take into account licensing fees collected for copyright owners by other rights clearance organizations such as XanEdu,[146] or directly

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142 Raymond Snoddy, *Reed Elsevier Forward 10%: Anglo-Dutch Group Improves Mainly Through Organic Growth*, FIN. TIMES, Mar. 13, 1997, at 23. In 2002, its profit margin, reportedly, was close to 35%. Aaron S. Edlin & Daniel L. Rubinfeld, *Exclusion or Efficient Pricing? The "Big Deal" Bundling of Academic Journals*, 72 ANTITRUST L.J. 119, 142 (2004). Publishing for Elsevier continues to be remarkably profitable even in recent times. *The Economist* recently reported that the company made a profit of 36% in 2010. *See Scientific Publishing – The Price of Information: Academics Are Starting to Boycott a Big Publisher of Journals*, ECONOMIST (Feb. 4, 2012), *available at* http://www.economist.com/node/21545974.

143 COPYRIGHT CLEARANCE CTR., 2005 ANNUAL REPORT: SHARING KNOWLEDGE, INFORMATION, IDEAS 2 (2005).

144 *Id.* at 4.

145 *Id.* at 6.

146 An example is XanEdu Publishing. Although it cooperates with the CCC, it does its own copyright clearance. *See* XANEDU, http://www2.xanedu.com (last visited Sept. 18, 2013).

by copyright owners themselves from permissions individually negotiated by faculty, university personnel, and businesses.

The numbers of rightsholders who share in CCC royalty payments and the numbers of works represented are not easily discoverable, but one researcher in early 2007, in a report to the Canadian analog of the CCC, said that the CCC at that time represented 9,600 publishers and "hundreds of thousands of authors and other creators."[147] In 2009, an official of the CCC said that the organization then managed 300 million works.[148]

The pricing and conditions under which licensing can occur, at least for individual transactions, is set by the rights claimants, with the CCC acting as the claimants' agent. This arrangement allows the CCC to manage licensing for copyright owners without running afoul of the antitrust problems that have plagued the music performing rights societies, for example, because rates are set by the owners, not the CCC.[149] (Blanket licenses are, perforce, arrived at by a committee, made up of participating copyright owners.)[150] How owners place a value on copyright licenses for photocopying (or now digital copying) rights is less than clear. There are no obvious standards used to value them.[151] The publishing literature I

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147 MARTIN FRIEDLAND, REPORT TO ACCESS COPYRIGHT ON DISTRIBUTION OF ROYALTIES 24 (Feb. 15, 2007). Individual authors came to the CCC rather late in its evolution; the original beneficiaries were publishers. In its 1988 report on photocopying, the Copyright Office noted that, as of the date the report was issued, no authors had yet received royalties from the CCC. REGISTER OF COPYRIGHTS, SECOND REPORT ON LIBRARY REPRODUCTION OF COPYRIGHTED WORKS (17 U.S.C. 108), at 31 n.67 (1988).

148 Christopher Kinneally, director of author relations for the CCC, gave this figure in an interview with copyright lawyer Lois Wasoff on April 14, 2009. *See* The Authors Guild, AAP, Google Settlement: What Authors and Publishers Need to Know as May 5th Approaches presented by Lois Wasoff, Esq., http://www.copyright.com/content/dam/cc3/marketing/documents/pdfs/Lois-Wasoff-4-14-09-Transcript.pdf. A current estimate in Wikipedia is 400,000 works. *See* WIKIPEDIA, *Copyright Clearance Center*, http://en.wikipedia.org/wiki/Copyright_Clearance_Center (last visited Sept. 18, 2013).

149 In addition to transactional licenses (that is, licensing for a specific use), the CCC also offers blanket licenses covering large swaths of the works in its system, although not necessarily all works. Haber interview, *supra* note 124.

150 *Id.*

151 In fact, many publishers initially seemed unaware that selling reprints or photocopying rights could be a source of revenue and had to be urged to join the CCC. Many initially simply did not charge when asked for permission to copy articles. In a survey conducted for CONTU, researchers found that half of the respondent publishers, were they to participate in a clearing house, expected to charge no royalties; of the remainder, most expected to charge $.50, while a minority said they would want $5.00 in fees for each copy. CONTU REPORT, *supra* note 65, Appendix H, Bernard M. Fry, Herbert S. White & Elizabeth L. Johnson, Survey of Publisher Practices and

have examined suggests that the setting of these fees is fairly random, without such concrete points of reference as the amount of the assumed revenue shortfall in sales caused by copying. One might predict based on theoretical[152] and practical considerations that the rights are apt to be valued toward the high end of the range. As one CCC Annual Report noted, "It is worth noting that these royalties, which have virtually no corresponding costs to rightsholders, go straight to the bottom line." An idea of the range of current per-copy charges can be obtained by going to the CCC Web site.[153]

Some publications also began to print their expected fee for photocopying in each issue. In a random exploration of psychiatric journals several years ago, I found that one informed all potential photocopiers that they were required to pay a licensing fee of $3.00 per article.[154] Another routinely demanded a $5.00 base fee plus $.05 per page be paid to the Copyright Clearance Center.[155]

But monitoring the license fee situation to see how it has evolved, and the extent to which prices for licenses have fallen or risen over time is not

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Current Attitudes on Authorized Journal Article Copying and Licensing. *See* also Nancy Rouse, *How to Get the Most Out of Reprints*, 24 FOLIO: THE MAG. FOR MAG. MGMT. 232 (1996) (discussing the desirability of exploiting a market for reprints).

152 On the theoretical side, what economists call the "endowment effect" leads rights holders to value their work more highly than users do. *See* Frank P. Darr, *Testing an Economic Theory of Copyright: Historical Materials and Fair Use*, 32 B.C. L. REV. 1027, 1046-47 (1991).

153 *See* COPYRIGHT CLEARANCE CENTER, http://www.copyright.com.

154 *See* 156 AM. J. PSYCH., Nov. 1999, at A3.

155 *See* 36 BIOLOGICAL THERAPIES IN PSYCHIATRY NEWSL. 18 (Apr. 2013) (published by Geleburg Consulting & Publishing, L.L.C.). On the masthead, the journal announced that this was the fee for copies intended for "internal or personal" use. Distribution or sale of multiple requires written permission. The journal also carried a prominent warning that "Any unauthorized reproduction constitutes a violation of federal law." In another journal, the following legend appeared: "*Psychosomatics* is protected by copyright and may not be reproduced in any manner without written permission." 40 PSYCHOSOMATICS: THE J. OF CONSULTATION AND LIAISON PSYCHIATRY, No. 6 (Nov.–Dec. 1999) (unnumbered page). A similar logo could be found at the bottom of each page of *The Brown University Geriatric Psychopharmacology Update*; *see, e.g.*, 5 BROWN UNIV. GERIATRIC PSYCHOPHARMACOLOGY UPDATE 2-8 (Nov. 2001). The restrictions on photocopying were not unique to psychiatric journals. A reprint from a 1987 issue of *Clinics in Perinatology* asked for a flat photocopying fee of $.20 a page. Some of these practices changed over time, possibly as a result of increasing pressure by grantors and by universities for freer access to journal content. Reed-Elsevier (the publisher of *Clinics in Perinatology*) now states a general copying policy on its Web site for all journals published electronically:

easy to accomplish because the kind of systematic data that would allow rates to be tracked are unavailable, as far as this author could discover. The Copyright Clearance Center, for example, does not keep records of rates over time; when a client changes what it charges, the new amount is entered on the Web site and the old one is obliterated.[156] But anecdotal information about the prices asked for academic and other photocopying rights shows why courts accept that royalties for personal and educational photocopying are a significant market. For example, the *Kinko's* court noted that, in that case, permissions to copy individual articles ran between 50 cents and $5.00 per copy. As a result, payment of fees for the course packs at issue in that case would have been increased above the copying costs alone by anywhere from $12.50 to $125.[157]

An examination of the cost of course packs produced for a single law school in the fall of 1999 found that twenty-seven different sets of course materials had been photocopied and sold that semester in the law school's book store. Of these, no royalty payments were incurred for one set, while another fifteen incurred copyright fees of less than $10 per course pack. However, in eleven instances, copyright royalties exceeded $10 per packet (and in about half those cases, the charges were in excess of $20 per student). The licensing fee topped out at $82 for a 840 page hand-out.

The Seattle University guide to faculty on preparing course packs cautions that:

> Copyright permissions vary widely in cost depending on who holds the rights. Many individual rights-holders will grant permission to use their work without charge. Others will charge a nominal fee of $0.10 per page/ per copy. Still others charge market rates that can materially increase the price of the course-pack to students. Harvard Case Studies range in price from $4.00 to $6.00 per case study/per copy. Major metropolitan newspa-

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Elsevier Website Terms and Conditions, ELSEVIER.COM, http://www.elsevier.com/wps/find/termsconditions.cws_home/termsconditions (last visited Sept. 18, 2013).

156 Haber interview, *supra* note 124.

157 Basic Books, Inc. v. Kinko's Graphics Corp., 758 F. Supp. 1522, 1539 n.16 (S.D.N.Y. 1991). *See also* Bartow, *supra* note 72, at 207 and accompanying notes (arguing that permission fees were in many cases increasing).

pers, such as The New York Times and The Washington Post, charge $1.00 per page/per copy.[158]

That course packs of photocopied materials can be expensive is supported by a report in the Harvard Crimson a few years ago that the price for at least one of them had reached $500, with the clear implication that copyright-related licensing fees were primarily at fault.[159]

The royalty rates that are set by owners do not, however, account fully for the costs of photocopying permissions. One must also take into account administrative costs involved in searches,[160] and in collecting and distributing royalties. The total cost to each user for a photocopy will include the cost of making it, plus the cost of the copyright license, plus the cost of obtaining the license. In the 1999 course pack review referred to a short while ago, copyright permissions plus associated administrative costs accounted for a quarter to a half of the price of each set of materials. Notably, for fifteen of the sets, less than $10 in royalties was paid per course pack, but in eighteen of the twenty-six sets, costs were incurred in clearing the rights in excess of those that for royalty payments.[161]

Overall, copyright owners and the CCC have been quite aggressive in their insistence on licensing,[162] including in academic settings, and courts

158 SEATTLE UNIV., UNIVERSITY POLICIES, FACULTY GUIDE TO COURSE-PACK PRODUCTION, http://www.seattleu.edu/policies/faculty_guide_course_packs.aspx. (last visited Sept. 18, 2013).

159 *The Crimson Staff, Attack of the Wallet Killers*, HARV. CRIMSON (Feb. 18, 2005), *available at* http://www.thecrimson.com/article/2005/2/18/attack-of-the-wallet-killers-students.

160 As Professor Anthony Reese noted to the author, even when no permissions are needed, costly search time will necessarily be incurred. Personal communication with Anthony Reese (Nov. 2012).

161 The CCC's administrative costs come to about 25% of the total amount they collect from licensees. *See, e.g.*, COPYRIGHT CLEARANCE CENTER, RIGHTS RIGHT NOW: 2010 ANNUAL REPORT, showing that 75% of the royalties collected are paid to copyright owners (copy on file with author).

162 This aggressiveness may extend to attempts to license materials in the public domain. At least one law school concluded that, to avoid copyright disputes, it must negotiate permission from a legal database provider to permit downloading and reproduction of material, including cases to which copyright does not attach. (Private communication to author.) Scholars have reported several instances of claimants demanding royalties for reproducing works unambiguously in the public domain. *See* Jason Mazonne, *Copyfraud*, 81 N.Y.U. L. REV. 1086 (2006). Mazzone cites numerous examples of broad copyright notices in compilations and reprints of public domain works that seem on their face to apply to the public domain material itself as well as to anything original that the copyright claimant has added. Paul Heald earlier gave as examples of works that putatively needed to be licensed to be copies Johann Sebastian Bach's Mass in B minor, a "sourcebook" of writings dating from 1620 to 1865, and in piano sonatas by

have generally been supportive. In the *Princeton University Press* case, the Court of Appeals was careful to limit its finding of infringement to the facts — copying by a profit-making copy shop. The court noted that it took no stance on whether copying by students or faculty themselves would be similarly illicit.[163] In reliance on the idea that who makes the copy is crucial to whether it is fair use, a copy shop serving the University of Michigan came up with an alternative model. It took possession of master copies of class materials from faculty members, and when students enrolled in the pertinent course wanted to obtain the materials, they were given the master and permitted to use the equipment to make the copy themselves.[164] The district court granted summary judgment on the plaintiffs' behalf, concluding that, without regard to who pushes the copier button, the copy shop profits from the activity.[165] This still left open some possibility that copies made on a completely nonprofit basis — that is, without participation by a commercial intermediary — by students or faculty could be a fair use.

Academic institutions, however, are being pressured to pay royalties for copies made by the faculty without regard to who owns the copying equipment, and with the introduction of digital technology, the pressure is being extended to the licensing of electronic reserves and teaching tools such as Blackboard.[166] Many libraries have developed careful policies about what can be put on electronic reserve and how often without obtaining copyright permission to avoid running into trouble.[167] Those calculations are under reconsideration presently, as a result of a law suit brought by publishers against Georgia State University.[168]

Beethoven. Paul J. Heald, *Payment Demands for Spurious Copyrights: Four Causes of Action*, 1 J. INTELL. PROP. L. 259 (1994).

163 Princeton Univ. Press v. Michigan Document Servs., Inc., 99 F.3d 1381, 1389 (6th Cir. 1996).

164 Blackwell Publ'g, Inc. v. Excel Research Grp., LLC, 661 F. Supp. 2d 786, 789 (E.D. Mich. 2009).

165 *Id.* at 794.

166 The CCC continues to offer transactional licenses (that is, licenses obtained for each copy) for both print and electronic reproduction, and in 2007 it began to offer a kind of blanket license which, after paying an annual fee, permitted copying of material in either hard copy or in digital format. Copyright owners choose whether and to what extent to participate in this licensing scheme, with the result that institutions can rely on it only after ascertaining that the works to be copied in any individual case are actually covered by the license or covered for the desired use. Haber interview, *supra* note 124.

167 *See, e.g.*, *Brandeis University Library Reserve Policy*, BRANDEIS UNIVERSITY, http://lts.brandeis.edu/research/help/copyright/reserve.html; *Reserve Policy*, MANHATTANVILLE COLLEGE, http://www.manhattan.edu/library/reserve.html (last visited Sept. 18, 2013).

168 Cambridge Univ. Press v. Becker, 863 F. Supp. 2d 1190 (N.D. Ga. 2012).

The Georgia State litigation brought the fair use question out of the copy shop and directly into the university, challenging the direct actions of faculty and librarians.[169] The challenge was to the university's electronic reserves system for books, established to meet the requests of faculty for their classroom use. The Court ultimately concluded that the university copyright policy contributed to infringement by the faculty and library by being too vague about the amounts that were permissible to copy, and that certain copies in the reserve system exceeded what was "fair."[170] The Court clearly had difficulty deciding the case. The opinion — 160 pages of it — issued fully a year after oral argument and in it, the judge voiced serious concern about possible negative effects on students of having to pay the royalty fees for their course materials.

The Court tried to resolve the conflict by distinguishing between small excerpts and longer ones. Copying small pieces of works, the judge wrote, had no significant negative effect on authors or publishers and was, therefore, fair. The rough divide used by the Court between a little and too much was 10% of the book. This meant that, in some cases, copying a single chapter could be infringing.[171] The Court reasoned, however, that fairness could be determined only on a case-by-case basis, requiring a close look at numerous individual faculty reserve requests, to see how much was used and the circumstances surrounding the use.

But the 10% rule may not be a reliable guide in the future. The Court went on to add that "where permissions are readily available from CCC or the publisher for a copy of a small excerpt of a copyrighted book, at a reasonable price, and in a convenient format . . . ," failure to license even a small amount could be infringing[172] In light of the caution that even small snippets could amount, as licensing becomes easier, to actionable copying suggests that universities, their staff and faculties, are at significant risk of litigation if they fail to resolve any doubt at all in favor of paying for everything in electronic or hard-copy course packs.

Fear of litigation is extremely effective in shaping behavior inside academia; the desire to avoid it inclines institutions to take a conservative position with regard to their copyright obligations. When NYU settled the suit brought against it for photocopying in the early 1980s, not only did it agree to extremely restrictive limits on unlicensed copying,[173] but it made

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169 *Id.* at 163.

170 One witness testified that the Georgia State policy was actually more restrictive than those at many other universities. *Id.* at 20.

171 *Id.* at 41.

172 *Id.*

173 The university adopted the photocopying guidelines that had been promulgated during the drafting of the Copyright Act of 1976 by an ad hoc group of publishers and educators. As noted above, *supra* note 76, the meaning of

clear to its faculty that anyone who went beyond those limits, if sued, could rarely expect to be defended by the university.

But paying is not a guarantee of safety. As the problem of orphan works, for one, so clearly shows, licensing rights is at best a complicated business. Figuring out who actually owns the interest in question is often difficult.[174] One great potential benefit of the now-defunct Google book settlement was the promise of a rights registry with the capacity to sort out tangled and overlapping claims of ownership in particular works.[175] Without some mechanism for clarifying ownership questions, a claimant may in perfectly good faith list herself or itself as the party entitled to royalties even though she or it actually doesn't own the work or interest in question.[176] This means that a user who has paid for rights is not necessarily immune from suit if a plaintiff can show that the user dealt with the wrong party.[177] For that reason, the CCC, understandably, will only warrant to academic licensees that it has been assured by the licensor that it owns the rights at issue. The organization does not purport to stand behind the accuracy of that representation.[178]

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the guidelines was unclear: many would have argued that they merely indicated the minimum amount of photocopying for classroom use that was permissible under fair use. In the NYU settlement, however, the guidelines became the maximum copying permissible without permission.

174 *See* Diane Leenheer Zimmerman, *Cultural Preservation: Fear of Drowning in a Licensing Swamp*, *in* WORKING WITHIN THE BOUNDARIES OF INTELLECTUAL PROPERTY 36-39 (Rochelle C. Dreyfuss, Harry First & Diane L. Zimmerman eds., 2010).

175 *Id.* at 138-39.

176 The CCC represents publishers primarily (although it encourages authors to register as well). Publishers may post and receive permissions fees for works in their inventories, although in some instances, actual ownership is with someone else. *See, e.g.*, Kenneth Frazier, *The Meaning of Fair Use*, 14 COMPUTERS IN LIBRS. 21 (1994). *See also* Fisher & McGeveran, *supra* note 79, at 80 (noting that rightsholders may decline participation in the CCC because determination of legal rights is too complex relative to the payoff, or because they do not wish to grant permission for "secondary uses of content."

177 "[T]he CCC has an understanding with the Association of American Publishers ('AAP') the major trade association for publishing companies, that the AAP will not support litigation against a CCC licensee, perhaps even if the copying in question is from materials not covered by the license agreement. This point is of major significance. Copyright litigation is extremely expensive, and many of the major infringement vases in recent years have been supported and coordinated by the AAP." Crews, *supra* note 115, at 307.

178 *Academic Pay-Per-Use Services (formerly APS and ECCSJ): Terms and Conditions*, para. 7, COPYRIGHT CLEARANCE CENTER (2011), http://www.copyright.com/viewPage.do?pageCode=I21. As a result, some institutions rely on other rights clearance organizations that guarantee their results. *See,*

V. WHEN LICENSE FEES GO UP, SUBSCRIPTION COSTS GO – UP??? WHAT IS HAPPENING HERE?

If copyright claimants were correct that nonprofit and personal copying were the reason for ever-increasing journal prices, one would expect that, once the CCC and other rights clearance organizations were firmly established and income began to flow to publishers from licensing fees, journal prices would stabilize and price increases would begin to bear some relationship to inflation and changes in fixed costs. One might have expected this, but one would have been wrong.[179]

Although the phenomenon of rising licensing fees coupled with rising subscription fees seems puzzling, by the 1990s, students of the phenomenon were more and more pointing to culprits other than unlicensed copying.[180] Where the suspicion began to turn was to something that was not supposed to happen under copyright: the existence of enough market power by journal publishers to enable them to engage in monopoly pricing.[181]

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e.g., *Copyright Compliance Guarantee*, XANEDU PUBLISHING, http://www2.xanedu.com/faculty/why-xanedu/copyright-compliance-guarantee.

179 There was one apparent exception to this blanket statement: a major commercial journal publisher did in fact announce that, effective in 2000, it would cap increases in subscription prices in the countries where its journals were sold to a maximum of 10% per year. 227 NEWSL. ON SERIALS PRICING (June 20, 1999) (The publisher, it was noted, anticipated an actual 7.5% increase in the United States in 2000). Not only was this "cap" set at about three times the then-current inflation rate in the United States, but it was also building on a base price that was already extremely high as a result of the large yearly increases that had preceded it.

180 Some pointed to the proliferation of highly specialized, small-audience journals as part of the problem. *See supra* note 97. King et al. noted that dramatic price increases had occurred during that time period, the predominant cause of which was said to be rising production costs. Donald King, etc., *supra* note 97, at 32-38. *See also* Line & Wood, *supra* note 67, at 234, 236 (same); Jeanne G. Howard & Dick Van Der Helm, *The CONTU Guidelines and the Transfer of Scientific Information: Fair Use or Unfair Use?*, 22 J. CHEM. INFO. COMPUTER SCI. 85 (1982) (suggesting that part of the cost increase attributable to growth of resources put into sciences after World War II).

181 One of the first to suggest that pushing for high profits was the problem was M.B. Vissher, *Copyright and Other Impediments to Scientific Communication*, *in* COMMUNICATION OF SCIENTIFIC INFORMATION 118 (Stacey B. Day ed., 1975) (arguing that part of the cost problem was caused by the increasing role of for-profit publishers). Other early authors making a similar argument include Arthur W. Hafner, Thomas J. Podsadecki, & William P. Whitely, *Journal Pricing Issues: an Economic Perspective*, 78 BULL. MED. L. ASSOC. 217 (1990) (large publishers lack incentives to control costs that exist in competitive markets); Gary D. Byrd, *An Economic "Commons" Tragedy for Research Libraries: Scholarly Journal Publishing and Pricing*

Scholars who tracked journal prices observed an escalation in subscription costs well above the rate of inflation.[182] This situation got the attention of academic economists because it put a severe strain on university library acquisition budgets. They observed that the increases were largely concentrated in the scientific and technical areas. Journals in the humanities (including art journals which might have been expected to have high production costs because of their illustrations) did not experience these kinds of subscription rate hikes.[183] Furthermore, the rapid increase in price was actually located, not in all scientific and technical journals, but in those published by commercial presses.[184] The other in-

Trends, 51 C. & RESEARCH LIBRS. 184 (1990) (reviewing the literature on the economics of publishing and pointing out the distortions in the market for scholarly publications); Michael A. Stoller, Robert Christopherson & Michael Miranda, *The Economics of Journal Pricing*, 57 C. & RESEARCH LIBRS. 9 (1996) (market power of publishers leads to inflated prices); Mark Bebensee, Bruce Strauch, & Katina Stauch, *Elasticity and Journal Pricing*, 2 ACQUIS. LIBR. 219 (1989) (discussing relative inelasticity of library market for journals); David I. Rosenbaum & Meng-Hua Ye, *Price Discrimination and Economics Journals*, 29 APPLIED ECON. 1611 (1997) (discussing profit maximization strategies of publishers of economics journals); David W. Lewis, *Economics of the Scholarly Journal*, 50 C. & RESEARCH LIBRS. 674 (1989) (journals as natural monopolies). For a different perspective, see Roger Noll & W. Edward Steinmuller, *An Economic Analysis of Scientific Journal Prices: Preliminary Results*, [1992] SERIALS REV. 32 (arguing that academic practices rather than rent-seeking by publishers accounts for the rapidly increasing level of journal prices).

182 To give some examples, the average price increase in 1987 for a scholarly journal was five times the Consumer Price Index (CPI), 2.5 times CPI in 1988, and two times in 1989. Arthur W. Hafner, *Journal Pricing Issues: An Economic Perspective*, 78 BULL. MED. LIBR. ASSOC. 217, 217 (1990); Byrd, *supra* note 180, at 184.

183 Stoller, Christopherson & Miranda, *supra* note 180, at 15 (citing H. Craig Peterson, *Variations in Journal Prices: A Statistical Analysis*, 17 SERIALS LIBR. 307-14 (1990)).

184 Studies have suggested that the cost of commercial journals is not necessarily a function of the superiority of their product. Attempts to take such things as citation rates into account have led researchers to conclude that price and quality bear little relationship to one another. *See, e.g.*, Natalie Schoch, *Relationship Between Citation Frequency and Journal Cost: A Comparison Between Pure and Applied Science Disciplines*, 31 PROC. AM. SOC. INFO. SCI. 34, 37 (1994). This sort of observation has resulted in acrimonious battles and some lengthy litigations. The publisher Gordon and Breach has brought suits or threatened to do so in a number of instances. The publisher sued a physicist and two scholarly organizations in several countries, including the United States, for reviews critical of the cost of several Gordon and Breach journals relative to their price. OPA Amsterdam BV v. Am. Inst. of Physics, 973 F. Supp. 414 (S.D.N.Y. 1997), *aff'd sub. nom.*, Gordon & Breach Sci. Publishers S.A. v. Am. Inst. of Physics, 166 F. 3d 438

teresting fact was that libraries responded to these price increases by trying their best to continue buying the costly journals. Normally, one might expect the opposite: that purchasers would fight back by switching to cheaper products (nonprofit journals), thereby pressuring the commercial publishers to moderate their subscription fee increases. This did not happen for a good reason: if individual subscriptions became too pricey, individuals could drop them and go to the library instead. Libraries, on the other hand, felt compelled to continue to supply a wide range of journals to meet the demands of academic researchers.[185] As a result, they continued to pay even as prices rose — even at times slighting the acquisition of books and other types of works to do so.[186]

This response is understandable, given what studies have shown about how researchers use journals. A study by King and Griffith showed that the act of browsing through journals was considered important to researchers, even where their reading had no immediate research use.[187] The authors noted that "[o]ne indicator of the value of scholarly articles is the time professionals are willing to spend reading them."[188] It turned out that professionals in non-academic organizations averaged fifty-one hours per year of journal reading (eighty-six hours if they were research and development professionals), while academic researchers devoted on average 205 hours to such reading.[189] The study showed that the amount of time spent reading literature in the researcher's field was highly correlated with the quality of her work, recognition by others, and the level of assignments she received.[190]

(2d Cir. 1999). As of the fall, a comparable case was still pending in France. *Hot Type*, 46 CHRON. OF HIGHER EDUC., Oct. 1, 1999, at A24. As a result, other researchers studying journal pricing began pointedly omitting Gordon and Breach publications from their samples.

185 One indication that publishers recognized their market power is hinted at by a comment in a 1988 report to scholarly publishers: it noted that journal prices were "elastic," so that publishers who lowered their prices could not expect any significant increase in subscriptions; all they would do is lose money. Margaret M. Quinlin, *Pricing: Its Place in the Marketing Mix & Its Contribution to Profit*, 3 SOC'Y SCHOL. PUB. SPEC. REP. SERIES 1, 2-3 (1988), quoted in Byrd, *supra* note 180, at 188-89.

186 Edlin & Rubinfeld, *supra* note 141, at 125. A study by the Association of Research Libraries covering the period 1986 to 2000 found that research libraries cut the purchase of monographs by 17%, but the number of serials, where the increase in costs were striking, were cut by only 7%. *Id.*

187 Donald W. King & Jose-Marie Griffiths, *Economic Issues Concerning Electronic Publishing and Distribution of Scholarly Articles*, 43 LIBR. TRENDS 713 (Mar. 22, 1995).

188 *Id.* at 717.

189 *Id.*

190 *Id.* at 718.

When pushed to the limits, libraries, including those at some of the best funded institutions, were eventually forced to drop some very expensive subscriptions, making their content less readily accessible to faculty and students. This raised a new set of problems. While copies of specific articles could be gotten, on request, from document delivery services, the process was time consuming and could itself be quite costly after administrative and copyright permission costs were factored in. One study reported in 1994 that in the prior twelve months, the cost of commercial document delivery services at the University of Wisconsin had increased by 50%, and that much of the increase was attributable to higher copyright clearance costs.[191]

A further factor that allowed price increases to go unchecked and that pressured libraries to continue subscribing to expensive publications is that users of academic, including scientific, journals, unlike recreational readers of popular fiction, are classic examples of an audience that cannot easily substitute one product for another if the cost of the preferred product exceeds their willingness to pay. (Although, it should be added here that the additional complication in this situation is that the library, not the user, is the entity doing the paying.) A biologist who comes to the library to look for an article that was published in Reed-Elsevier's *Journal of Molecular Biology* (annual institutional subscription rate: $8,514[192] is not going to be satisfied by being offered in its place one from *Molecular and Cellular Proteomics*[193] (annual institutional and nonmember rate: $925) because the latter is cheaper — even if, overall, the cheaper journal is a superior one.[194]

The result, as a number of economic studies pointed out, was comparatively little elasticity on the demand side, allowing publishers, with their eyes on their bottom lines, to ratchet prices up in excess of costs and infla-

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191 Frazier, *supra* note 176, at 21.

192 *See* ELSEVIER.COM, http://store.elsevier.com/product.jsp?issn=00222836 (last visited Sept. 25, 2013).

193 This is a publication of the American Society of Biochemical and Molecular Biology. Subscription information is available at ASBMB, http://www.asbmb.org/Page.aspx?id=598 (last visited Sept. 18, 2013).

194 Similarly, academics preparing course material often cannot substitute one journal article or a chapter from one book for another and achieve the desired pedagogic results. A recent article in *The Chronicle of Higher Education*, for example, complains that "A rarely discussed form of self-censorship happens routinely on college campuses" because faculty worry about the time and expense of obtaining copyright permission they believe would be necessary to use them — even if, were the unconsented use of those materials to be tested in a court of law, the use might well be deemed "fair." Jeffrey R. Young, *Pushing Back Against Legal Threats by Putting Fair Use Forward*, CHRON. OF HIGHER EDUC. (May 29, 2011), http://chronicle.com/article/Pushing-Back-Against-Legal/127690.

tion each year.[195] Several economists also point to growing concentration in the journal publishing industry.[196] Interestingly, the fact that, around 2000, publishers began offering many of their journals in electronic form did nothing to moderate price increases, despite the fact that production costs are likely to have gone down. Instead many insisted on selling subscriptions to the electronic versions only in bundles (the so-called "Big Deal" approach), further aggravating the problem of relentless rises in subscription costs.[197]

Obviously, there are a variety of complex factors other than rent-seeking that contribute to the pricing of any particular journal,[198] and it is not the purpose of this article to present a comprehensive reprise of the various studies and points of disagreement. The purpose instead is to point out that today there is fairly general unanimity about the fact that the market for academic journals is broken, and the focus of scholars is now on what can be done to fix it.[199] Funders are insisting that the research results they underwrite be publicly made accessible through open databases,[200] although publishers have tried to push back on this in Con-

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195 Edlin and Rubinfeld note that subscriptions to journals published by commercial publishers can run as much as 500 times the price of a subscription to a non-profit journal, and that the phenomenon runs across subject matter lines. Edlin & Rubinfeld, *supra* note 141, at 120.

196 Theodore C. Bergstrom, Librarians and the Terrible Fix: Economics of the Big Deal 2 (July 2010), *available at* http://works.bepress.com/ted_bergstrom/111; Edlin & Rubinfeld, *supra* note 141, at 119. Bergstrom points out that this phenomenon is not limited to journal publishing:

> After a series of mergers, four publishing companies in the United States control about 70 percent of college textbook sales. Over the past twenty years, textbook prices have risen at approximately twice the rate of inflation. (Typical introductory textbooks with large markets are now priced at about $200, far above their production costs.)

Bergstrom, *supra*, at 2.

197 *See generally id.*; Edlin & Rubinfeld, *supra* note 141.

198 Some journals, particularly nonprofit ones, charge authors per page to publish their work, clearly a factor that might explain the price differential between them and commercial publications. However, Bergstrom and Rubinfeld found that, once this difference was factored in, commercial journals still cost subscribers on average 30% more per page. Theodore C. Bergstrom & Daniel L. Rubinfeld, *Alternative Economic Designs for Academic Publishing*, *in* WORKING WITHIN THE BOUNDARIES OF INTELLECTUAL PROPERTY: INNOVATION POLICY FOR THE KNOWLEDGE SOCIETY, *supra* note 177, at 140-41.

199 *Id.* at 137.

200 For a list of open access policies of major funders, see *Research Funder Policies and Related Legislation*, SCHOLARLY PUBLISHING @ MIT LIBRARIES, http://libraries.mit.edu/sites/scholarly/publishing/research-funders (last visited Sept. 25, 2013). By law, research funded by the National Institutes of Health (NIH) must be made available to the public via its digital archive,

gress.[201] Open access journals, self-archiving by academics, and a variety of other remedies have been suggested, and are beginning to be implemented. It is too soon to be sure how effective this rebellion will be.[202]

What is striking to someone who has followed the controversy over noncommercial copying from journals into the digital era is that the literature today (despite the special concerns about digital copying) seems devoid of any mention of the effects of unlicensed copying, even though I am absolutely sure that large amounts of it continue to occur. Plainly and simply, no one is talking about it. If copyright comes up at all, it is entirely from another perspective: as a factor that contributes to rent-seeking by limiting the options available to users to escape the yoke of exorbitant prices.[203] This turns out to be a story that might induce a long-time observer to begin muttering under her breath that line from Stephen Sondheim, "Isn't it rich? Isn't it fine?"

CONCLUSION

Now the question is, what do we make of this history? To answer that question, one must grapple first with what reasonable meaning to attribute to the word "harm" in the fair use context. Harm, I would argue, ought not to be conceived as loss of any possible "market" that can be created to obtain remuneration for use of a copyrighted work. Although, as noted in the introduction, the idea of many is that copyright owners are entitled by right to complete control and the maximum available profit, so broad a

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PubMed Central. Papers are deposited with the NIH in their final form and become open access no more than twelve months from publication. *See Revised Policy on Enhancing Public Access to Archived Publications Resulting from NIH-Funded Research*, NATIONAL INSTITUTES OF HEALTH, (Jan. 11, 2008), http://grants.nih.gov/grants/guide/notice-files/NOT-OD-08-033.html.

201 Publishers, most notably Elsevier, lobbied to have Congress overturn the NIH policy, but ultimately backed off (reportedly a response to a contributor boycott of Elsevier journals), causing the so-called Research Works Act, H.R. 3699 (112th Cong., 2d Sess.) to die. Jennifer Howard, *Legislation to Bar Public-Access Requirement on Federal Research Is Dead*, CHRON. OF HIGHER EDUC. (Feb. 27, 2012), http://chronicle.com/article/Legislation-to-Bar/130949.

202 For example, Princeton University's faculty recently adopted a policy in favor of posting publicly accessible copies of faculty scholarship on line. This is part of a growing trend in academic institutions. Jennifer Howard, *Princeton U. Adopts Open-Access Policy*, CHRON. OF HIGHER EDUC. (Sept. 25, 2011), http://chronicle.com/blogs/wiredcampus/princeton-u-adopts-open-access-policy/33450.

203 Michael W. Carroll, *The Role of Copyright in Academic Journal Publishing, in* WORKING WITHIN THE BOUNDARIES, *supra* note 177, at 149 (pointing out that new entrants cannot compete down the prices of journals by selling competing goods, i.e., copies).

reading of what copyright offers seems inconsistent with the utilitarian nature of American intellectual property law. The comment made recently by President Obama about banks has pertinence to copyright, too: owners "don't have some inherent right . . . to . . . get a certain amount of profit."[204]

To make the point more clearly, a brief review of copyright policy as reflected in various incarnations of the American law is useful. Statutory copyright — the primary mechanism for awarding property rights in information — has historically given the owner of an expressive work a variety of advantages, including the exclusive rights to copy and distribute the work, create derivative works based on it, and even to perform or display it in public. But copyright law has also long attempted to balance interests of the public against those of copyright owners. Although in many instances those interests coincide, they do not always do so.

Historically, American copyright attempted to insure that enough profits from public demand for a work would flow to an author and her successors to make it worthwhile to continue producing and disseminating authored content.[205] To do this, the law focused on creating remedies to deal with commercial copyists who, because they need not pay the author for rights, could undersell the copyright owner's version. But the statute did not always, as it does today, cover all works of authorship; it was initially limited to the protection of books, maps, and charts.[206] Only gradually did Congress become convinced of the desirability of extending protection against copying to other classes of content.[207] Despite their privileged position as original beneficiaries of copyright, books were actually only protected against commercial copying of their exact text;[208] not until late in the nineteenth century did it clearly even become an infringement to create such derivative works as abridgements or translations out of them without the owner's permission.

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204 Chelsea Rudman, *Fox Nation, Erickson Distort Obama's Comments on Bank of America to Paint Him as Anti-Capitalist*, MEDIA MATTERS FOR AMERICA (Oct. 3, 2011), http://mediamatters.org/blog/201110040004 (transcript of President's remarks).

205 *See, e.g.*, Mazer v. Stein, 347 U.S. 201, 219 (1954) (copyright creates incentive to create by providing the opportunity for economic gain to authors).

206 Copyright Act of 1790, 1 Stat. 124, *available at* http://www.copyright.gov/history/1790act.pdf ("securing the copies of maps, Charts, And books, to the authors and proprietors of such copies").

207 Not until the Copyright Act of 1909 was copyright extended to "all the writings of an author." Copyright Act of 1909, ch. 320, § 4, 35 Stat. 1075, 1076, *available at* http://www.copyright.gov/history/1909act.pdf.

208 *See, e.g.*, Stowe v. Thomas, 23 F. Cas. 201 (C.C. Pa. 1853) (No. 13,514) (translation of *Uncle Tom's Cabin* into German did not violate Stowe's copyright).

Even though the subject matter and breadth of copyright increased over time, the statute continued to exempt uses that were either deemed harmless, or sufficiently socially valuable to justify inflicting some degree of financial loss on copyright owners. Until 1978, not-for-profit performances, for example, were exempt from copyright owners' control.[209] The first sale doctrine was, and remains, an important carve-out from copyright, allowing purchasers of all but a few kinds of works to lend, rent, sell or give away their copies once they lawfully acquired them.[210] This doctrine fosters the availability of cheap public access by encouraging development of secondary markets in used works and by allowing the formation and growth of libraries. Even where a particular use would facially constitute infringement, the law has long permitted the user to plead the defense of "fair use," even though one could, theoretically, have conceived of virtually any unconsented use as constituting a "potential market."[211] Chapter I of the Copyright Act of 1976 remains replete with small but significant limits on copyright owners' rights to prevent copying or use.[212] In short, copyright has been explicitly designed to provide its beneficiaries important, but incomplete, control.

In light of repeated examples of that kind of balancing, of the public benefit theory on which copyright rests, and on the importance placed by courts on evidence of more than theoretical harm in fair use cases,[213] I would argue that the kind of injury the law protects against is one that threatens copyright owners' opportunities to make sufficient returns on

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209 Section 1(c) and (e) of the 1909 Act prohibited the unlicensed performance for profit of nondramatic literary works or musical compositions. Public performances of dramas, however, were prohibited whether for profit or not. Copyright Act of 1909, ch. 320, § 1(d), 35 Stat. 1075 (1909). Under the 1976 Act, the scope of copyright protection was changed to encompass public performances of all sorts of works, whether or not for profit, unless specifically exempted. 17 U.S.C. § 106(4) (2006)

210 *Id.* § 109. The statute restricts rental of computer software and sound recordings. *Id.* § 109(b). For a discussion of the First Sale Doctrine, see generally R. Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. Rev. 577 (2003).

211 The fair use doctrine was codified in the Copyright Act of 1976. *See* 17 U.S.C. § 107 (2006).

212 *See, e.g.*, 17 U.S.C. § 110 (2006), carving out exceptions permitting unlicensed use for specific educational, religious, and other uses.

213 When the Supreme Court decided *Sony Corp. of America*, 464 U.S. 417, 451 (1984), the lack of proof by the plaintiffs that they suffered economic injury as a result of noncommercial consumer use of the Betamax to record television programming was crucial in deciding the case in favor of the defendant, Sony. Similarly, in *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 591 (1994), the Court said that in cases of commercial transformative use, the plaintiff has the burden of showing that the use has harmed the market for its intellectual property.

their investment of creativity, money, and time to make it worthwhile to continue producing and dissemination new works. This is in fact the kind of injury that, historically, owners have fretted over, and tried to convince courts to find lest market failure actually occur. Along those lines, however, it should be added that the threatened market failures that it is the goal of copyright to prevent are those that undercut the creation and dissemination of works, and not those that result from outmoded business models. Hence evidence that a particular distribution mechanism has fallen on hard times in the face of technological change should not count as evidence of harm for copyright purposes.[214]

When looked at from this perspective, evidence of palpable harm from noncommercial photocopying is perishingly slight, despite a full half century of experience. (Indeed, even though digital technology seems to be replacing the photocopier in reproducing works for classroom or scholarly use, the evidence thus far does not suggest that the harm to copyright owners from this technological change is markedly different.)

Why were the claims of death by the Xerox machine so wrong? The most probable reason is that personal or noncommercial copying did not in fact substitute for purchases. People copied things they needed or wanted, but that did not mean, had they been unable to make those copies, they would have paid the market price; instead they would have taken notes. Not until it became feasible to engage in licensing of photocopying could any tangible, if wholly artificial, claim of "harm" could be proven.

Given what has been said thus far, why virtually all personal or noncommercial copying for academic purposes (short, perhaps, of making complete multiple copies of texts and other books) should not be deemed fair instead of actionable copyright infringement is hard to see. The public benefit gained by exposing children and college students at a reasonable cost to the most up-to-date, pertinent materials to their courses of study is certainly clear, as the judge in the Georgia State litigation recognized.[215] Some support for this view comes from neighboring Canada, where a recent Supreme Court decision, *Alberta (Education) v. Canadian Copyright Licensing Agency (Access Copyright)*, held that photocopying excerpts of texts for purposes of classroom use was fair (despite the existence of a

214 Obholzer-Gee & Stumpf, *supra* note 37.

215 Judge Evans wrote that "If students at Georgia State had been required to pay for use of small excerpts of Plaintiffs' works in 2009, there would have been some small overall increase in the cost of education, assuming that the charge for excerpts would be included in the tuition and spread across the student body. If individual students had to pay the cost of excerpts, the total of all permissions payments could be significant for an individual student of modest means." Cambridge Univ. Press v. Becker, 863 F. Supp. 2d 1190, 1217 (N.D. Ga. 2012).

photocopy licensing mechanism).[216] The Court rejected the plaintiff's claim of harm because, the majority wrote, "[O]ther than the bald fact of a decline in sales over twenty years, there is no evidence from Access Copyright demonstrating any link between photocopying short excerpts and the decline in textbook sales."[217]

In fact, it is hard to see why most other photocopying, and indeed electronic copying of written materials, as long as the purpose is not commercial, should be actionable. Certainly, photocopying seems only rarely to be substitutional; people do not seem to photocopy what they would otherwise buy. I strongly suspect that digital downloading of text — particularly journal and magazine articles or parts of books — will turn out to be similarly largely nonsubstitutional as well.

Additionally, suing individuals and noncommercial actors carries a lot of downsides. Searching for infringing content or activity on individual computers,[218] in personal files,[219] or by means of spying[220] raises serious issues of privacy and even civility. Also, when individuals are sued for what the larger community perceives as normatively reasonable activity,

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216 2012 S.C.C. 37 (2012).

217 *Id.* ¶ 35. An alternative approach, widespread in Europe but nonetheless controversial, is to deal with all private copying by attaching a royalty to the sale of the equipment used for making reproductions. *See* MARTIN KRETSCHMER, PRIVATE COPYING AND FAIR COMPENSATION: AN EMPIRICAL STUDY OF COPYRIGHT LEVIES IN EUROPE, A REPORT FOR THE UK INTELLECTUAL PROPERTY OFFICE (2011), *available at* http://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ip_econ_ge_1_12/wipo_ip_econ_ge_1_12_ref_kretschmer.pdf; JÖRG REINBOTHE, PRIVATE COPYING, LEVIES AND DRMS AGAINST THE BACKGROUND OF THE EU COPYRIGHT FRAMEWORK (2003), *available at* http://ec.europa.eu/internal_market/copyright/documents/2003-speech-reinbothe_en.htm.

218 Recently, so-called "copyright trolls" have tried to track down illicit copies on computers and sue the individuals who own the computers. For a description of their activities, see Corynne McSherry, *A Field Guide to Copyright Trolls*, ELECTRONIC FRONTIER FOUNDATION (Sept. 28, 2010), https://www.eff.org/deeplinks/2010/09/field-guide-copyright-trolls. These efforts have not been received favorably by many courts. *See, e.g.*, Mick Haig Prods. E.K. v. Does 1–670, 687 F.3d 649 (5th Cir. 2012) (upholding sanctions on plaintiff film company's attorney for improper attempt to subpoena names of alleged individual infringers from Internet service provider).

219 In the *Texaco* case, plaintiffs were permitted to search the files of a "representative" researcher to discern whether or not he had "illicit" copies of journal articles. Am. Geophysical Union v. Texaco, Inc., 60 F.3d 915, 915 (2d Cir. 1994).

220 The home page of the Software Business Alliance, for example, urges viewers to report instances of piracy. *See* BSA: THE SOFTWARE ALLIANCE http://www.bsa.org/country.aspx?sc_lang=en (last visited Sept. 18, 2013). It may reward the person who files a report if the terms and conditions set out at https://reporting.bsa.org/r/report/usa/rewardsconditions.aspx are satisfied.

the voluntary compliance on which the success of copyright largely rests is undercut.

Another consideration is the social good achieved by presumptively removing restraints on copying unless a showing can be made that the type of copying involved is peculiarly likely to cause economic harm to the owner. For one thing, the lower the cost and the greater the ease of access to communicative works, the less the wealth of the prospective user is a factor in whether or not these goods can be effectively utilized. Overcoming economic barriers to access, as has been shown, occupies a respectable place in core copyright philosophy, as evidenced by such things as the first sale doctrine, and the limitations on copyright owners' rights that appear in places like Section 110 of the act.[221]

Furthermore, when it is possible to give consumers free access to works without disturbing the adequacy of author incentives, society as a whole is often the beneficiary of spillovers that the user herself cannot internalize.[222] These benefits may be in the form of new and inventive ideas, interesting new works, or of a new generation sufficiently educated and knowledgeable to take on pressing technological and social challenges. If, instead, users are required, without adequate economic justification, to forego exposure to a desirable work or to substitute a second best option as a result of licensing requirements (as is quite plausibly the case in the academic setting), society may bear a significant part of the loss.[223] So, too, may society suffer a loss if the price of enforcing copyright too stringently is to encourage costly rent-seeking, as seems to have been at least a part of the story of photocopying and scientific and technical journal publishing.

Taking these factors into account makes the case of personal use, research, and study, at the very least, particularly suitable for more generous

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221 *See supra* notes 204–211 and accompanying text.

222 An important function that the Framers expected copyright to serve was to help promote the growth of an educated, creative citizenry. Diane Leenheer Zimmerman, *The Statute of Anne and Its Progeny: Variations Without a Theme*, 47 HOUS. L. REV. 965, 984 (2010).

223 A report by the National Research Council provides an example of the kind of social loss that can occur in academia when information costs exceed available resources. The Landsat system of remote sensing satellites that provides detailed photographs of the earth's surface was privatized in 1985. The Earth Observation Satellite Co., which took over operation of the satellite, immediately increased the charge for Landsat images from $400 to $4,400 a piece. Numerous research projects had to be abandoned; others were continued but had to rely on an inadequate number of images or on old data. Several remote sensing laboratories at universities are reported to have closed in large part due to the cost of the Landsat images they would otherwise have needed for their research. NATIONAL RESEARCH COUNCIL, BITS OF POWER: ISSUES IN GLOBAL ACCESS TO SCIENTIFIC DATA 121-23 (1997).

standards of fair use[224] — in contrast, say, to commercial users who can pass along to their consumers the costs associated with licensing copyrighted goods.[225]

But is the argument in favor of exempting noncommercial or personal copying of textual materials from liability sufficient support for exempting all such uses from copyright? To conclude on the basis of one case study that the answer is yes would clearly be to risk over-reading the data. But if one looks at the photocopying story in light of the honest disputes over claims of harm in music, movies, and computer software, it is at least reasonable to conclude from the data presented that courts (and Congress) should be cautious in assuming harm from personal and noncommercial copying generally. The photocopying case study makes it plausible, at least, to posit that the reason harm from personal copying of broadcasted programming or music or pictures off the Internet is hard to come by is that most of it, too, will turn out not to be substitutional. Maybe people really do copy music primarily to sample or place-shift. And likely they download an awful lot of stuff they would never consider buying.

On the other hand, if people affirmatively like particular music, and they are given a chance to purchase a high-quality copy at a reasonable price, it seems that many actually do so. For example, when the iTunes store finally got up and running, making good copies of singles available, significant numbers bought music, even music they had already downloaded free from a peer-to-peer site. Whether the same story will repeat itself with digital movies or with e-books obviously cannot be predicted without more data. But at least these questions deserve to be approached with an open mind.

What the story of photocopying shows is that our assumptions about harm are not always reliable; in fact, it is simply not plausible to assume that the death of copyright is riding in on the back of every new technology. Fear is not necessarily based on facts.

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224 *See, e.g.*, Eric D. Bandfonbrener, *Fair Use and University Photocopying*, 36 COPYRIGHT L. SYMP. 33 (1989) (arguing that if copying increases dissemination without substantial economic loss, it should be permitted).

225 Of course, commercial uses are not per se unfair. Examples of commercial uses that have passed muster as fair uses are Campbell v. Acuff-Rose Music, Inc., 507 U.S. 569 (1994) (parody of the song *Pretty Woman*); SunTrust Bank v. Houghton Mifflin Co., 268 F.3d 1257 (11th Cir. 2001) (sequel to *Gone with the Wind*, told from the perspective of the slaves at Tara).

PART II

RECENT DEVELOPMENTS IN COPYRIGHT

PART II

"RECENT DEVELOPMENTS IN COPYRIGHT" SELECTED ANNOTATED CASES

by THOMAS KJELLBERG

WITH

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These annotations cover cases reported since our report at the 36th Copyright Society Annual Meeting of 2012.

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I. JURISDICTION AND PROCEDURAL ISSUES

A. Subject Matter Jurisdiction

Segundo Suenos, LLC v. Jones, No. 10-56257, 2012 U.S. App. LEXIS 18224 (9th Cir. 2012)

Ninth Circuit remanded case to determine whether district court had subject matter jurisdiction. Plaintiff Segundo Suenos, LLC sued musician Marshall Jones in federal court, seeking declaration that it had valid assignment of copyrights in Jones's musical works. Jones moved to dismiss, arguing that California Superior Court, affirmed by California Court of Appeal, decided same issue that was before district court, holding that assignment was invalid. District court agreed with Jones, holding Segundo was precluded by collateral estoppel from relitigating issue. Segundo appealed. Ninth Circuit *sua sponte* questioned whether district court had subject matter jurisdiction. Segundo's complaint alleged (1) federal question subject matter jurisdiction, alleging claim arose from Copyright Act; and (2) diversity subject matter jurisdiction, because Segundo was Texas limited liability company, and Jones was resident of Ohio. Court found federal question jurisdiction lacking because plaintiff's complaint sought

declaratory judgment regarding royalties owned by Jones. In declaratory judgment action, court must look not at actual complaint filed, but at complaint that would be filed if it were suit for damages or injunction. Here, action would be concerning royalties under contract law, which would be state law claim. Court also noted question of copyright ownership is under state law, not federal law. As to diversity jurisdiction, court found complaint deficient, as citizenship of limited liability company is determined by citizenship of constituent members. Accordingly, court remanded case to district court to determine whether there was subject matter jurisdiction.

Murray Engineering, P.C. v. Windermere Properties, LLC, No. 12-52, 2013 U.S. Dist. LEXIS 61877 (S.D.N.Y. Apr. 30, 2013)

District court denied defendant's motion to dismiss for lack of subject matter jurisdiction. Works at issue were architectural plans. Under *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964), suit arises under Copyright Act jurisdiction if "(1) '[t]he complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement . . .;' or (2) '[t]he complaint . . . asserts a claim requiring construction of the Act.'" Defendant argued that court should look beyond complaint, and that plaintiff was asserting "garden variety contract claim." Because plaintiff alleged that his copyrights were infringed and that he was entitled to injunction and damages under Copyright Act, court had subject matter jurisdiction.

Velvet Underground v. Andy Warhol Foundation for the Visual Arts, Inc., 890 F. Supp. 2d 398 (S.D.N.Y. 2012)

Plaintiff sought declaration that defendant Andy Warhol Foundation had no copyright in banana image designed by Andy Warhol for cover of plaintiff's first album, *The Velvet Underground & Nico*. Banana image had become symbol of plaintiff, and plaintiff had used image in connection with merchandising and advertising, and licensed image to others. Defendant also claimed rights in image, and had similarly licensed image to third parties. Defendant claimed plaintiff's use of banana image constituted copyright infringement; plaintiff countered that banana image was in fact trademark of, and had secondary meaning associated with, plaintiff. Plaintiff sued, and defendant moved to dismiss under Rule 12(b)(1). Prior to filing of amended complaint, wherein plaintiff requested declaratory relief, defendant agreed unconditionally and irrevocably not to sue plaintiff for copyright infringement for plaintiff's use of banana image. Broadly-worded covenant memorializing agreement would prevent suit against plaintiffs and those in privity with plaintiff. Plaintiff argued that despite covenant, justiciable controversy existed between parties because (1) defendant had alleged copyright in banana image; (2) defendant had asserted

that its copyright in banana image trumped plaintiff's trademark rights; (3) defendant's copyright claims would have adverse economic effect on plaintiff's ability to license image; and (4) plaintiff sought accounting of revenues related to defendants' licensing of image. Court disagreed, reasoning that covenant eliminated any immediate, realistic prospect of injury to plaintiff, thereby eliminating justiciable controversy between parties. Accordingly, declaratory judgment claim was dismissed.

Andrews v. Daughtry, No. 12-441, 2013 U.S. Dist. LEXIS 24355 (M.D.N.C. Feb. 22, 2013)

Plaintiffs brought suit in North Carolina state court against their former "Absent Element" bandmate, *American Idol* contestant Chris Daughtry, seeking accounting for profits in connection with particular musical works. Plaintiffs alleged that in December 2004 all bandmates entered into partnership agreement, in which they agreed to share equally in profits from all songs written by any band member, regardless of extent of any one member's contribution to that song. In 2006 and 2009, after defendant gained significant fame from participation in *American Idol*, defendant released solo albums containing songs that plaintiffs claimed were subject to alleged partnership agreement, and for which defendant failed to account for any profits. In complaint, plaintiffs asserted various state-law causes of action, including constructive trust, statutory accounting under North Carolina law, and common-law accounting. After defendant removed case to federal court, plaintiffs moved to remand to state court. Court granted plaintiffs' motion to remand, finding there was no federal question jurisdiction. First, because plaintiffs based their state-law causes of action on alleged partnership agreement — contract governed solely by North Carolina law — their claims did not require determination of any copyright issue, and thus did not "arise under" federal law. Defendant's contention that he owned copyrights in works at issue was irrelevant, because under well-pleaded complaint rule, federal question jurisdiction cannot arise in connection with defense. Second, plaintiffs' state-law causes of action were not preempted by Copyright Act such as to confer federal jurisdiction. Although musical works implicated by plaintiffs' claims were within scope of Act, plaintiffs' state-law causes of action required "extra element" to make those claims "qualitatively different" from exclusive rights protected under Act. Plaintiffs' causes of action made no claim of infringement or otherwise sought to vindicate rights equivalent to exclusive right available under Act. Instead, plaintiffs' causes of action were premised on defendant's alleged breach of purported partnership agreement, whose scope and terms would be decided by state law.

Shelton v. MRIGlobal, No. 11-2891, 2012 Dist. LEXIS 140515 (D. Colo. Sept. 28, 2012)

Plaintiffs entered into subcontract with defendants to provide design-build support services, which include providing defendants with plaintiffs' "3PQ RFP structure," described as proprietary format that assists owners in managing and controlling designing and construction of buildings. Plaintiffs alleged that defendants posted 3PQ RFP structure online without proper attribution in violation of Copyright Act. Defendants moved to dismiss for lack of subject matter jurisdiction, arguing that plaintiffs failed to allege plausible federal claims. Regarding copyright claim, plaintiffs argued that defendants' post was illegal derivative work of its 3PQ RFP structure. Court found copyright claim deficient on two grounds: (1) insofar as plaintiffs alleged infringement of format or structure, neither was protectible, as copyright does not protect process or set of ideas; and (2) plaintiffs failed to allege facts showing that material posted by defendants was substantially similar to plaintiffs' copyrighted material. Court therefore granted defendants' motion to dismiss for lack of subject matter jurisdiction.

Stevo Design, Inc. v. SBR Marketing, Ltd., 105 U.S.P.Q.2d 1925 (D. Nev. Jan. 24, 2013)

Plaintiffs, providers of electronically-distributed sports betting reports, brought suit for infringement against Costa Rican corporation that operated website publishing sports betting information. After court dismissed complaint for lack of subject matter jurisdiction, plaintiffs moved to alter or amend judgment under Rule 59(e). Court held that copyright claims had been properly dismissed, but for incorrect reasons. Court, noting split of authority regarding whether extraterritoriality functions as limit of court's subject matter jurisdiction or as element of copyright claim, held that extraterritoriality should be considered element of copyright claim in absence of Congressional intent that such limitation was jurisdictional in nature. In its prior decision, court had dismissed claims on basis that plaintiffs alleged wholly extraterritorial infringement (i.e., no predicate activity in United States). However, court had erred in dismissing claims on that basis against individual defendant who had used corporate defendant's website, since he lived in Virginia. Nonetheless, court held that copyright claims against all defendants should be dismissed for failure to state claim because plaintiffs had alleged that both company and its websites owned copyrights in material at issue. Due to plaintiffs' inconsistent allegations concerning ownership element of their copyright claim, plaintiffs failed to plausibly allege material element necessary to state claim.

B. Personal Jurisdiction and Venue

Washington Shoe Co. v. A-Z Sporting Goods, Inc., 704 F.3d 668 (9th Cir. 2012)

Ninth Circuit held lower court erred in dismissing copyright infringement action on personal jurisdiction grounds. Defendant had engaged in intentional acts that willfully infringed plaintiff's copyright, knowing such acts would adversely impact plaintiff in State of Washington. Plaintiff shoe manufacturer sued defendant, Arkansas retail store operator, in Western District of Washington for willful copyright infringement. District court dismissed action for lack of personal jurisdiction, and manufacturer appealed. On appeal, manufacturer alleged that store operator, which had single store in Arkansas, sold infringing copies of manufacturer's children's boots. Ninth Circuit found that personal jurisdiction existed over operator under Wash. Rev. Code § 4.28.185 and Due Process Clause, based on allegations of willful infringement. Manufacturer alleged "intentional act" for jurisdictional purposes by claiming that operator intentionally purchased and sold allegedly infringing boots. Manufacturer presented evidence that operator willfully infringed copyright, knowing that it would adversely impact manufacturer in State of Washington, and knew or should have known about both existence of copyright and manufacturer's connection to Washington. Operator's alleged intentional acts were expressly aimed at manufacturer in Washington, and harm was felt in Washington. Accordingly, court found that Arkansas retailer was subject to personal jurisdiction in Washington, even though retailer's only contact with state was claim that it had willfully violated copyright held by Washington corporation. District court's judgment was reversed and matter was remanded.

Lizalde v. Advanced Planning Services, 875 F. Supp. 2d 1150 (S.D. Cal. 2012)

District court denied motion to dismiss complaint for lack of subject matter jurisdiction. Defendants argued that confidentiality agreement between parties contained provision requiring any litigation to take place in state court. Plaintiff argued that it would be impossible to bring copyright infringement claim in state court since federal courts have exclusive subject matter jurisdiction. Court explained that one factor in overriding venue selection clause is availability of remedies in chosen forum. Moreover, although state court has strong interest in adjudicating claims based on state law, federal court has jurisdiction over pendant state law claims. Moreover, enforcing clause would require plaintiffs filing duplicate lawsuits in two different fora. Further, since state and federal courts were close to one another, federal court was as convenient as state court. Fi-

nally, defendants drafted confidentiality agreement that contained broader venue selection clause; as they were amenable to either federal or state court, as long as case were tried in San Diego, "their current complaint being haled into court in the Southern District of California carries little weight."

Flava Works, Inc. v. Rowader, No. 12-7181, 2012 U.S. Dist. LEXIS 165260 (N.D. Ill. Nov. 16, 2012)

District court denied defendant's motion to dismiss for lack of personal jurisdiction and improper venue. Plaintiff was online video service provider, incorporated in Florida, with offices in Miami and Chicago. Defendant, California resident, was paid member of plaintiff's websites. Plaintiff claimed defendant infringed its copyrights by uploading plaintiff's copyrighted videos onto file-sharing website without permission, and violated terms and conditions of membership. Plaintiff brought suit in Illinois, and defendant filed motion to dismiss under Rule 12(b)(2). Court found defendant's position would likely be sustained under Illinois law if complaint relied solely on Copyright Act. Defendant stated in affidavit that he had "no continuous or systematic contacts with the State of Illinois," and would thus not be amenable to personal jurisdiction in Illinois based on general jurisdiction. Nor was specific jurisdiction appropriate here, because defendant asserted that he did not conduct business that is targeted at Illinois. Nonetheless, defendant who consents to enforceable forum-selection clause may waive ability to challenge personal jurisdiction. Here, clause in user agreement incorporated mandatory language providing that claims "shall be brought in federal or state courts located in Chicago, Illinois or Miami, Florida." Court found agreement was in fact forum selection clause. As plaintiff was Illinois-based company, it had substantial relation to state, and local courts had interest in protecting copyright and contractual rights of Illinois businesses. Forum selection was enforceable. Although inconvenient venue, court would not interfere with contractual acceptance of forum selection clause, even without negotiation, as fact of modern life.

C. *Pleadings*

Palmer Kane, LLC v. Scholastic Corp., 105 U.S.P.Q.2d 1973 (S.D.N.Y. 2013)

District court granted defendant's motion to dismiss complaint. Plaintiff, stock photography agency, alleged that defendant, publisher of textbooks and other educational material, had used its copyrighted photographs, in some instances without licenses, and in other instances beyond scope of existing license agreements. Defendant's motion to dismiss was granted

on basis that complaint did not sufficiently plead copyrighted works at issue, infringing acts, and time period of allegedly infringing acts. Plaintiff provided spreadsheet listing its works and registration numbers for some of works, but alleged that copyright claims were not limited to these works. Court found that since list of works was not exhaustive, complaint failed to identify works at issue. Moreover, court found that complaint contained only broad conclusory statements of infringement, without sufficient factual allegations to support broad assertions and no specificity as to time period in which defendant allegedly infringed plaintiff's works.

Schneider v. Pearson Education, Inc., No. 12-6392, 2013 U.S. Dist. LEXIS 49727 (S.D.N.Y. Apr. 5, 2013)

Court denied defendant's motion to dismiss. Plaintiff, photographer, brought action for copyright infringement against defendant, textbook publishing company, for using images without permission or beyond scope of license. Defendant contended that plaintiff failed to adequately plead which works were subject of copyright claim, and by what acts plaintiff's copyrights were infringed. Along with alleging infringement of ten specific works, complaint stated that full scope of infringing activities had not yet been ascertained, and that further investigation and discovery would yield evidence that defendant's infringement of plaintiff's images was not limited to works identified in complaint. Defendant argued these "excessively broad" paragraphs rendered complaint subject to dismissal. Court agreed with defendant that allegations were speculation, and found plaintiff failed to state claim for copyright infringement concerning works other than ten specifically identified. Court found, however, that it would be inappropriate to "throw out those well-pleaded allegations, merely because Plaintiff's Complaint may also contain a bit of bathwater." While defendant argued that complaint did not explain how plaintiff infringed any particular photograph, court found that plaintiff's allegations were specific enough to meet requirements of Rule 12(b)(6) and Rule 8.

Ranieri v. Adirondack Development Group, LLC, No. 11-4985, 2013 U.S. Dist. LEXIS 43223 (N.D.N.Y. Mar. 27, 2013)

District court granted certain defendants' motion to dismiss, finding plaintiff failed to make any factual allegation in complaint linking such defendants to copyright infringement. Plaintiff architect entered into contracts with several construction companies ("Adirondack"). Dispute arose between plaintiff and Adirondack, and Adirondack informed plaintiff that they were no longer using plaintiff's plans. Plaintiff discovered Adirondack used plans for other projects, and sued Adirondack, along with "Prime" development companies, for direct and contributory infringement. Prime companies were expressly referenced only in section of

complaint describing parties, describing Prime companies as New York corporations engaged in real estate development and construction, and alleging Prime companies each "participated in and/or had the right and ability to direct and control the wrongful conduct alleged in this Complaint and derived direct financial benefit from that conduct." Prime companies moved to dismiss for failure to state claim. Court found statement regarding Prime companies to be legal conclusion, not factual allegation in support of plaintiff's claim. Court also found that while plaintiff alleged ownership and registration of copyright, he failed to allege how Prime companies infringed copyright. Plaintiff argued that complaint included allegations regarding infringement against "defendants" collectively, which included Prime companies. Court, however, found plaintiff's use of term "defendants" confusing, vague and inconsistent. For example, complaint alleged "defendants" failed to pay for use of work as required under agreement between parties, yet never alleged Prime companies were obliged to pay for designs. Court acknowledged that Rule 8 does not prohibit collective allegations against multiple defendants; however, Rule does require that each defendant be put on notice of what it is alleged to have done. Vague and inconsistent allegations in plaintiff's complaint failed to put Prime companies on notice, and court therefore granted Prime companies' motion to dismiss.

Teri Woods Publishing, L.L.C. v. Williams, No. 12-4854, 2013 U.S. Dist. LEXIS 52745 (E.D. Pa. Apr. 12, 2013)

Plaintiffs, author and independent publisher of several literary works, sued defendants, book manufacturer and publishing company, alleging that defendants illegally manufactured bootleg copies of plaintiffs' copyrighted works or derivative works. Plaintiffs' complaint contained 14 separate counts, including copyright infringement. Defendants moved to dismiss complaint under Rule 12(b)(6). Defendants argued plaintiffs failed to "definitively demonstrate" ownership of copyright in materials at issue, noting that several names appear in documents plaintiffs provided purportedly establishing plaintiffs' ownership of works. Court, having examined plaintiffs' documents, noted plaintiffs were listed as "copyright claimants" on each document. Accordingly, court found that "at this early stage in the litigation and with due regard for the deference granted to plaintiffs regarding motions to dismiss . . . Plaintiffs have satisfied the requirements of demonstrating ownership." Court also noted defendants would have opportunity to examine plaintiffs' ownership claims during discovery. Therefore, although court dismissed several counts of plaintiffs' complaint for failure to state claim, court denied defendants' motion to dismiss plaintiffs' copyright infringement claims.

Lite Source, Inc. v. International Lighting Corp., No. 12-689, 2013 U.S. Dist. LEXIS 31433 (W.D. Ky. Mar. 7, 2013)

District court denied defendant's motion to dismiss, finding plaintiff adequately pleaded claim of copyright infringement. Plaintiff, wholesaler of medical and other specialty light bulbs, brought action for copyright infringement against defendant, competitor of plaintiff, who allegedly copied and pirated numerous pictures, images and part numbers from plaintiff. Defendant filed motion to dismiss on basis that plaintiff did not identify each specific image to support its copyright claim, and that numerous images asserted by plaintiff in amended complaint were dated after publication date listed on plaintiff's copyright registration for its catalog, such that plaintiff failed to adequately plead that images in complaint were registered. In order to establish infringement, two elements must be proven: (1) ownership of valid copyright; and (2) copying of original elements of work. Court found that plaintiff adequately pleaded ownership of valid copyright in its catalog. Construing complaint in light most favorable to plaintiff, court found that inclusion in amended complaint of thirty-seven images allegedly copied by defendant suggested that plaintiff plausibly claimed that defendant copied plaintiff's copyrighted work. Court found that defendant's arguments regarding registration of images after copyright date, failure to adequately plead that all images were included in copyright registration, and that part numbers are not appropriate matter for copyright registration, were not appropriate on motion to dismiss. Rather, they were questions of fact that remained to be determined by court or jury. Accepting all facts as true, and construing complaint in light most favorable to plaintiff, court held that complaint stated claim upon which relief may be granted.

Bradshaw v. American Inst. for History Education, No. 12-441, 2013 U.S. Dist. LEXIS 24355 (M.D.N.C. Feb. 22, 2013)

Plaintiff brought suit for infringement of "Cool History" educational website and related work entitled "Cicero," on ground that defendant had misappropriated protected content for use in web-based teaching product known as "Cicero: History Beyond the Textbook." Defendant moved to dismiss on ground that plaintiff failed to state claim for relief. Court denied defendant's motion, finding that plaintiff had alleged plausible claim of infringement because plaintiff adequately stated necessary elements of ownership and copying. Plaintiff's certificates of registration constituted *prima facie* evidence of validity of copyright and of facts stated in certificates, sufficient to satisfy ownership element. Plaintiff pleaded sufficient facts to satisfy copying element even under specific pleading standard articulated in *Gee v. CBS, Inc.*, 471 F. Supp. 600 (E.D. Pa. 1979). Although defendants claimed that plaintiff failed to adequately identify how defend-

ants had purportedly infringed, plaintiff referenced correlation chart in complaint that described similarities between items used in defendants' website and plaintiff's copyrighted works. Although complaint did not mention details set forth in correlation chart, plaintiff had previously provided copy of chart to defendants, and defendants, accordingly, were on notice of nature of their allegedly infringing acts. Plaintiff thus had alleged facts sufficient to withstand motion to dismiss.

In re Bashas', Inc., No. 12-1497, 2013 U.S. Dist. LEXIS 65630 (D. Ariz. May 7, 2013)

Plaintiff, architectural firm, sued defendants, former client and former employee, alleging that defendants willfully infringed plaintiffs' copyrighted architectural designs following defendant employee's departure from plaintiff firm. Defendant former client filed Chapter 11 bankruptcy petition, and court granted motion to refer only claims against former client to bankruptcy court, while claims against defendant former employee proceeded to trial. At trial, jury found for defendant former employee. Meanwhile, in bankruptcy proceedings, bankruptcy court discharged plaintiff's pre-petition claims against defendant former client, leaving only plaintiff's post-petition claims against defendant remaining before district court. Defendant former client moved to dismiss plaintiff's amended complaint for failure to state claim for post-petition conduct. Court held plaintiff's claims against defendant former client for contributory and vicarious liability foreclosed because jury found defendant former employee not liable for direct infringement. Turning to plaintiff's post-petition claims for direct infringement, court found pleadings insufficient to state claim, noting complaint failed to identify any materials allegedly copied or used by defendant, or how and when such materials were copied or used. Although plaintiff identified two registered architectural designs, plaintiff did not allege infringement of those works. Court rejected plaintiff's argument that it was unable to plead more specific facts without opportunity for discovery, noting plaintiff's identical claims against defendant former employee proceeded to trial, and plaintiff had ample opportunity for discovery in that case. Accordingly, court granted defendant's motion to dismiss.

D. Standing

Buday v. New York Yankees Partnership, 486 Fed. App'x 894 (2d Cir. 2012)

Second Circuit affirmed district court decision dismissing complaint. Plaintiff alleged that Yankees failed to pay her uncle for logo he designed for team in 1930s, and revised in 1947. District court found plaintiff lacked

standing to assert copyright claim. On appeal, plaintiff argued that district court failed to recognize that 1976 Copyright Act "grandfathered in" common law copyright claims such as plaintiff's, alleging infringement of unpublished work created before 1978. Thus, to bring her copyright claim within scope of 1976 Act, plaintiff would have to allege facts supporting conclusion that logo was unpublished. Court found that allegations in complaint established that plaintiff had no such claim; facts alleged established that Yankees published logo by using it on team jerseys after plaintiff's uncle conveyed logo to Yankees, and authorized Yankees to publish it, all prior to effective date of 1976 Act. Court therefore lacked subject matter jurisdiction. Moreover, facts alleged by plaintiff clearly established that she did not have copyright interest in logo because logo was work for hire under 1909 Act. Yankees commissioned uncle to create logo; uncle created logo; Yankees accepted logo and commissioned uncle to revise logo, and uncle complied. Under 1909 Act, there is strong presumption against finding copyright interest in party who created work on behalf of another, which can be overcome by evidence of oral or written agreement to contrary. Second Circuit found that plaintiff did not plead facts sufficient to overcome presumption; she did not allege existence of agreement that would have preserved uncle's copyright interest in logo, and that would have allowed uncle to assign interest to plaintiff. Therefore, plaintiff lacked standing.

Righthaven, LLC v. Hoehn, No. 11-16751, 2013 U.S. App. LEXIS 9413 (9th Cir. May 9, 2013)

Ninth Circuit affirmed district court's decision dismissing plaintiff's infringement claim for lack of standing, but vacated district court's grant of summary judgment on defendant's fair use defense. Plaintiff, organization founded solely to receive assignment of copyrights and pursue copyright infringement actions against infringing parties, sued defendant, blogger, for display on various websites of copyrighted *Las Vegas Review-Journal* articles without authorization. Before filing suit, plaintiff executed copyright assignment agreements with original copyright owners in attempt to acquire rights to sue for infringement based on assigned works. District court that held plaintiff lacked standing, noting that provisions of copyright assignment agreements contained substantial license-back provisions and restrictions on plaintiff that stripped plaintiff of all rights to use or exploit works other than right to sue for infringement. Ninth Circuit affirmed, reasoning that right to sue for infringement is absent from list of exclusive rights under Copyright Act. Court, following *Silvers v. Sony Pictures Entertainment, Inc.*, held that "assignment of the bare right to sue for infringement, without the transfer of an associated exclusive right, is impermissible under the Copyright Act and does not confer standing to sue."

Court found plaintiff's assignment agreements, while employing language purporting to transfer rights and vest ownership of works in plaintiff, were insufficient to confer standing. Because court affirmed plaintiff's lack of standing to sue for infringement, district court lacked jurisdiction to rule on defendant's fair use defense. Accordingly, court vacated district court ruling in alternative granting summary judgment for defendant based on fair use.

Overseas Direct Imports Co. v. Family Dollar Stores, Inc., No. 10-4919, 2013 U.S. Dist. LEXIS 35684 (S.D.N.Y. Mar. 13, 2013)

In action brought by plaintiff vendor against vendor and retail store operator, plaintiff alleged infringement of certain tree designs ("Tree Designs") used on packaging for men's thermal underwear. Defendants moved for partial summary judgment dismissing copyright claims, arguing plaintiff lacked standing because plaintiff was not author of Tree Designs, and had not been validly assigned copyright in designs. Court held plaintiff had standing. Record demonstrated that creator of Tree Designs intended to transfer copyright ownership to plaintiff at time of creation, and later writing memorialized that agreement. As to copyright validity, court found questions of fact remained that could not be resolved on motion for summary judgment. Defendants had argued that copyright in Tree Designs was invalid because copyright registration form did not contain author's name, and erroneously listed Tree Designs as works made for hire. However, court cited case law establishing that this type of error does not invalidate registration, provided that error was not committed knowingly; since there was no evidence that plaintiff knowingly committed errors on copyright registration form, innocent-error rule, which permits corrections of technical defects or accidental omissions of information, applied. Accordingly, defendants' summary judgment motion was denied.

Minden Pictures, Inc. v. Pearson Education, Inc., No. 11-5385, 2013 U.S. Dist. LEXIS 31047 (N.D. Cal. Mar. 5, 2013)

Plaintiff, stock photography agency, brought suit for infringement on behalf of individual photographers who had entered into license agreements with defendant publisher for use of copyrighted photographs in educational textbooks. Complaint alleged that publisher exceeded license limitations by printing thousands of unauthorized copies of licensed photographs. Defendant moved to dismiss on ground that plaintiff lacked standing to sue for infringement of photographs at issue. In opposing, plaintiff claimed that it was "co-owner" of copyrights by virtue of copyright assignment agreements executed with individual photographers prior to filing suit. Court granted motion to dismiss, finding that purported assignments only conveyed to plaintiff "bare right to sue," insufficient to

confer standing. Under § 501(b) of Act, only legal or beneficial owner of enumerated exclusive right may sue for infringement. Bare assignment of accrued cause of action fails to create standing. In analyzing purported assignments, court held that parties' use of "co-owner" label was attempt to disguise assignment of bare right to sue, and did not affect conclusion that agreements, when viewed as whole, made no transfer of legal title in underlying copyrights to plaintiff. Furthermore, parties' intent that plaintiff would only have right to bring suit was evidenced by absence of term specifying duration of license, and presence of term automatically terminating assignment upon conclusion of any litigation. Because plaintiff had not been assigned any rights in underlying copyrights, plaintiff lacked standing to sue on behalf of individual photographers.

Oceans of Images Photography, Inc. v. Foster & Smith, Inc., No. 11-1160, 2012 U.S. Dist. LEXIS 166375 (M.D. Fla. Nov. 21, 2012)

District court denied defendant's motion for partial summary judgment that plaintiff lacked standing. Following filing of complaint, original copyright owner of photographs executed written assignment purporting to memorialize pre-suit oral agreement between original copyright owner and plaintiff. Defendant argued that "[t]he Copyright Assignment is a belated effort to bolster [plaintiff's] standing." District court, relying on Eleventh Circuit's decision in *Imperial Residential Design*, held that "where there is no dispute between the copyright owner and the transferee about the status of the copyright, it would be unusual and unwarranted to permit a third-party infringer to invoke section 204(a) to avoid suit for copyright infringement," and denied motion.

Popovich v. Pelican Landing, Inc., No. 11-227, 2012 U.S. Dist. LEXIS 128260 (W.D. Pa. Sept. 10, 2012)

Plaintiff designer sued defendant restaurant owners for infringement of two-dimensional artwork. Defendants had commissioned plaintiff to create and install custom works, including three-dimensional sculpture of pelican, for restaurant. Parties agreed that plaintiff would retain all rights in original designs and artwork, and also that defendants would not be charged for any two-dimensional artwork created as part of design process. During design process, defendants asked plaintiff to alter design for pelican sculpture, indicating that they planned to base logo on design. Plaintiff informed defendants that original agreement did not include two-dimensional artwork for use as logo, but that parties could contract for such services and artwork under separate contract, for additional compensation. No such agreement was concluded. Plaintiff delivered work to defendants, including two-dimensional drawing of pelican sculpture, but before conclusion of work, plaintiff was fired as result of contract dispute.

Defendant subsequently obtained copyright registration for pelican drawing. Soon thereafter plaintiff was contacted by defendants' attorney, accusing plaintiff of stealing original drawing and threatening legal action. Defendants, however, took no action. Several years later plaintiff learned that defendants were using pelican drawing to promote and advertise restaurant. Plaintiff sued, and defendants moved to dismiss, alleging plaintiff lacked individual standing to bring suit because basis of action was contract dispute between two companies. Court disagreed, finding that defendants mischaracterized claims, and that plaintiff properly pleaded infringement of artwork that was beyond scope of contractual agreement, and for which he held registration. Court held that, at this relatively early stage of litigation, and for purposes of this motion only, plaintiff sufficiently alleged standing to bring copyright infringement claim. Accordingly, defendants' motion to dismiss was denied.

E. Miscellaneous

Scroggins v. Scroggins, No. 09-5735, 2012 U.S. Dist. LEXIS 110315 (E.D.N.Y. Aug. 3, 2012)

Three sisters co-wrote and performed songs together in 1980s. Deborah Scroggins sued sisters Renee and Valerie Scroggins as well as record company, alleging her co-authorship entitled her to royalties. Renee, Valerie and record company each moved to dismiss. Renee moved to dismiss based on lack of personal jurisdiction and failure to join indispensible parties. Court denied motion on both bases. Court had personal jurisdiction over Renee for accounting of royalties under "transacting business" section of New York long-arm statute, as Renee assigned her rights in songs at issue to BMI, which had its headquarters in New York. Court denied Renee's claim that Scroggins' parents and band manager were indispensable parties, finding it "could accord complete relief among the existing parties." Valerie moved to dismiss claim on ground that she "was never responsible for any of the band's contractual or financial negotiations." Court denied motion, finding that factual assertion had no bearing on case. Court also reasoned that because Valerie was co-author of songs, she may be liable to Deborah for back royalties. Court granted record company's motion to dismiss as Renee, not Deborah, licensed songs to record company. Licensee is not liable to non-licensing co-owner for use authorized by license. As Deborah did not allege sole authorship of songs, or dispute that Renee's license to record company was valid, Deborah could not state plausible claim against record company; Deborah could only seek her share of royalties from Renee. Court therefore dismissed claim against record company, and mandated mediation for dispute between sisters, finding case "unfortunate dispute among siblings" best resolved under "experienced and sensitive eye" of mediator.

II. COPYRIGHTABILITY

A. Originality

Society of the Holy Transfiguration Monastery, Inc. v. Gregory, 689 F.3d 29 (1st Cir. 2012)

First Circuit affirmed district court's grant of summary judgment on each of former monastery's claims. Plaintiff monastery translated religious texts from original Greek to English. Defendant, previously affiliated with plaintiff, moved to Denver, where he formed his own monastery, and displayed portions of translated text on his website. Defendant argued that translated religious texts were owned by third party, Russian Orthodox Church Outside of Russia ("ROCOR"), since plaintiff was once part of ROCOR, and its secession in 1986 effectively transferred copyrights to ROCOR. Defendant contended that pursuant to Monastic Statutes (to which all member monasteries must agree when joining ROCOR), plaintiff expressly accepted that if it ever ceased being ROCOR monastery, its property would be transferred to ROCOR. Monastic Statutes assert that "in case of [a monastery's] closing or liquidation, its possessions will be handed over to the diocese." Court found that because monastery never closed, liquidated or ceased its existence, it did not hand over its possessions to ROCOR. Moreover, court interpreted statute to provide that on joining ROCOR, monasteries would remain owners of their property unless they became incorporated as entities of ROCOR. Since plaintiff never incorporated as entity of ROCOR, its property remained in its possession. Defendant asserted that translated texts were not original, and therefore not copyrightable, "because the Monastery's translations are nothing more than a nearly identical, cobbling together of already translated religious texts." However, law did not support defendant's argument that derivative work or compilation cannot be copyrightable; courts consistently have held that such works may be copyrighted provided that there is originality in arrangement or selection. Court found that plaintiff had cleared "extremely low" creativity bar, and affirmed district court's determination that works were original and copyrightable.

ALP International, Ltd. v. Ad-Line Industries, Inc., No. 12-3050, 2012 U.S. Dist. LEXIS 178347 (N.D. Cal. Dec. 14, 2012)

Plaintiff, producer of soft foam and molded plastic toys known as "stress relievers," brought suit for infringement against competitor, alleging competitor produced virtually identical versions of plaintiff's copyrighted chicken, dog, penguin, cat, cow, dolphin, killer whale, ladybug, policeman and seal stress relievers. Defendant moved for judgment on pleadings on ground that plaintiff's toy designs were not copyrightable as matter of law. Court denied motion, holding that plaintiff's designs met low level of crea-

tivity necessary for copyright protection. Court rejected defendant's claim that animal toy designs at issue comprised only generic ideas, since there were not so few variations among features of toy designs that generic "idea" of toy animal merged with expression. Court therefore concluded that "[plaintiff's] humble heifer meets the low bar for copyrightability." Using plaintiff's cow toy design as example, court held that design's protectible elements included "cartoonish thickness of its stubby legs," specific pattern of black spots, and "particularized expression" of its head, eyes, ears, body, snout and hooves.

Granger v. ACME Abstract Co., 900 F. Supp. 2d 419 (D.N.J. 2012)

District court granted defendants' motion for summary judgment on claim that defendants violated plaintiff's copyright in title insurance calculators when they posted calculators on their website. Defendants argued that plaintiff's copyrights were not valid because title insurance calculators are not copyrightable matter; title insurance rates are mandated by state title insurance rating bureaus, and those entities provide tables and calculations to determine proper rates. Defendants contended that plaintiff's calculators simply used tables and rates provided by bureaus, and, because there was only one way to calculate title insurance rates, plaintiff had not created any original copyrightable expression. Plaintiff argued that (1) design of manner in which calculation is effected in source code was copyrightable; (2) he created JavaScript or database program that calculated promulgated rates; (3) rate tables published in rate manuals did not contain equations for alleged "only way" to calculate title insurance rates; and (4) he could establish that he independently created equations for calculating title insurance rates. In order to determine whether defendants copied protectible aspects of calculators, jury must compare JavaScript source code that plaintiff claimed he originally created in his calculators with source code of calculators found on defendants' website. Court found that it could not undertake required analysis of plaintiff's title insurance calculators because plaintiff had not provided any description of original source code and how it was copyrightable under idea-expression dichotomy. Thus, defendants demonstrated that plaintiff had not provided any evidence for "lay observer" jury to consider in determining whether title insurance calculators contained original, protectible matter. Accordingly, defendants were entitled to summary judgment on plaintiffs' copyright infringement claims.

Honeywell International, Inc. v. West Support Group, No. 12-645, 2013 U.S. Dist. LEXIS 48865 (D. Ariz. Apr. 4, 2013)

Plaintiff, manufacturer and seller of products used in aerospace industry, sued defendant, aggregator and distributor of aircraft maintenance service

manuals, alleging defendant infringed plaintiffs' copyright by copying and distributing copies of plaintiff's aircraft maintenance service manuals without authorization and in breach of prior settlement agreement. Defendant moved for summary judgment, claiming plaintiff did not hold valid copyrights because plaintiff's manuals lacked sufficient originality. Court held that, as matter of law, aircraft maintenance manual can possess sufficient originality to allow at least "thin" copyright protection, notwithstanding certain FAA regulations dictating content and format. According to court, FAA regulations do not "foreclose the possibility that the author of an aircraft maintenance manual can exercise at least some creative control over the choosing, ordering, and/or arrangement of facts and procedures included in an aircraft maintenance manual." Turning to plaintiff's particular manual at issue, court found defendant failed to meet burden of rebutting validity of plaintiff's registered copyright. Having evaluated originality of specific elements of plaintiff's manual, court found "presence of photographs, diagrams, and expressions of facts and procedures within [plaintiff's manual] give rise to a genuine issue of fact regarding the originality of [plaintiff's] manual." In addition, court found issue of whether defendant copied plaintiff's manual in its entirety was issue of fact in genuine dispute. Accordingly, court denied defendant's motion for summary judgment.

American Registry of Radiologic Technologists v. Bennett, No. 12-109, 2013 U.S. Dist. LEXIS 52149 (W.D. Tex. Apr. 11, 2013)

Court denied cross-motions for summary judgment. Plaintiff, developer and administrator of licensing exams, sued defendant, provider of study materials and exam prep courses, alleging infringement of exam questions. Defendant argued that plaintiff had not established valid copyright in questions at issue. On issue of copyrightability, court found (1) questions themselves were copyrightable since questions were "the original product of some author's labor"; and (2) particular questions at issue, although similar to versions by other authors, had requisite level of creativity to warrant protection. In Fifth Circuit, while finding of infringement is generally inappropriate at summary judgment stage, non-infringement may be determined as matter of law where no reasonable juror could find substantial similarity of ideas and expression. In comparing plaintiff's copyrighted materials with allegedly infringing works, court held that reasonable juror could find substantial similarity. Accordingly, court found that neither party had carried burden, and denied both motions for summary judgment as to infringement claims.

Denenberg v. LED Technologies, LLC, No. 11-03155, 2012 U.S. Dist. LEXIS 140513 (D. Colo. Sept. 28, 2012)

Court granted summary judgment for plaintiff on issue of liability. Plaintiff plastic surgeon took patient "before and after" photos for use on website, and registered website content with Copyright Office. Defendant sold lamp advertised to provide anti-aging benefits. Defendant hired marketing company to create infomercial, and marketing company acquired plaintiff's photographs and used them in infomercial. Plaintiff sued, and moved for summary judgment of infringement. Defendant admitted to using photographs without plaintiff's permission, but disputed copyright validity and plaintiff's copyright ownership. Defendant argued photos were not copyrightable because plaintiff merely performed mechanical function of operating camera, and did not contribute any creativity to photographs. Court found pictures were independent creations with at least modicum of creativity, meeting *Feist*'s low standard for copyrightability. In alternative, defendant argued that plaintiff could not claim copyright ownership because nurse may have taken photographs. Court found there was nothing to suggest that photographs, if taken by nurse, would be anything other than works made for hire; if photograph was taken by nurse and was work made for hire, copyright would still belong to plaintiff. Accordingly, whether plaintiff or nurse took photographs was immaterial.

B. Pictorial, Graphic and Sculptural Works

Jovani Fashion, Ltd. v. Fiesta Fashions, 104 U.S.P.Q.2d 1390 (2d Cir. 2012)

Second Circuit affirmed district court's dismissal of lawsuit on ground that prom dress design was design of "useful article" not protected by Copyright Act, with no separable expressive elements. Court rejected plaintiff's argument that dress design contained "design elements," such as arrangement of decorative sequins and crystals on dress bodice, that were separable and protectible. Court held there was no physical separability, because those design elements could not be separately sold, and removal of those elements would adversely affect garment's ability to function as prom dress. There was no conceptual separability because clothing, in addition to covering body, serves "decorative function," such that any decorative elements are "intrinsic" to overall function of clothing, rather than separable from it. In case at bar, plaintiff's "design elements" were used to enhance functionality of prom dress as "clothing for a special occasion," and, as such, aesthetic elements fully merged with dress's function of covering body in particularly attractive way.

Scholz Design, Inc. v. Sard Custom Homes, LLC, 691 F.3d 182 (2d Cir. 2013)

Second Circuit reversed grant of motion to dismiss claim of infringement of architectural drawings. Plaintiff created and registered copyrights in three architectural drawings (blueprints) of buildings. Plaintiff alleged that defendants posted copies of drawings on websites. Defendants argued that drawings were not protectible as architectural works because copyright registrations for drawings were granted prior to 1990 passage of Architectural Works Copyright Protection Act ("AWCPA"), and contained insufficient detail from which buildings could be constructed. Court rejected defendants' "something more" argument, holding that for architectural drawings need not be sufficiently detailed to guide construction of depicted buildings to be protectible as pictorial works. Court found that plaintiff's claim was "straightforward case of infringement" derived from general copyright law protection of pictorial works, which does not depend on any degree of detail but requires only independent creation and "some minimal degree of creativity." District court likely misunderstood distinction between scope of protection afforded pictorial works and that afforded architectural works, both before and after AWCPA, court found. Architectural drawings were protectible as pictorial, graphic, and sculptural works under both before and after passage of AWCPA. AWCPA did not affect scope of protection afforded drawings as pictorial works. Before AWCPA, use of architectural drawings to construct building did not constitute infringement. After AWCPA, however, such use could be infringing if certain factors were met. Because plaintiff's claim was based on § 102(a)(5), and drawings were protectible under that statute, AWCPA was inapplicable. Second Circuit therefore reversed grant of motion to dismiss.

Heptagon Creations, Ltd. v. Core Group Marketing, LLC, No. 12-317, 2013 U.S. App. LEXIS 823 (2d Cir. Jan. 11, 2013)

Plaintiff brought suit for infringement of designs for high-end furniture. Second Circuit affirmed district court's dismissal of suit on ground that furniture designs were "useful articles" not protected by Copyright Act. Court rejected plaintiff's argument that furniture designs contained protectible "design elements." Court found relevant, although not dispositive, that Copyright Office had previously rejected plaintiff's attempt to register furniture line on ground that furniture was utilitarian. Moreover, plaintiff had failed to plausibly allege any facts showing that "design elements" were conceptually separable from furniture's utilitarian function. For example, particular choice of wood was dictated, at least in part, by functional concern that persons sitting in chair have surface on which to rest arms, while lamp's proffered design elements, such as texture of lamp

shades, were related to its utilitarian functions as "devices used to combat darkness." Last, wood grain patterns in tables were not physically separable, nor were they conceptually separable from functional considerations, such as need to arrange wood pieces to form flat surface and support weight.

Proline Concrete Tools, Inc. v. Dennis, No. 07-2310, 2012 U.S. Dist. LEXIS 97662 (S.D. Cal. July 13, 2012)

District court granted motion to compel registration of copyright claims. Plaintiff sought to register copyright in rock and stone sculptures are used to make decorative stamps. Register rejected works as uncopyrightable. Plaintiff challenged Register's decision by filing infringement action and requesting judicial review of Register's decision as part of action. Court followed standard of review enunciated in *Batjac Productions v. Good-Times Home Video Corp.*, 160 F.3d 1230 (9th Cir. 1998), to ask whether Register's rejection was reasonable. Register denied copyrightability on two bases. First, Register found works to be slavish copies of un-copyrightable objects that did not contain sufficient amount of original authorship. Register based its reasoning on fact that works were merely replicas of natural stones. Plaintiff argued that process by which sculptures were created did not involve molding of actual stones; rather, sculptures were artists' interpretations of stones and rocks that artist observed. Court agreed with plaintiff, finding works not to be slavish copies, but rather original sculptural works. Register's decision was therefore unreasonable, as it seemed to have misunderstood process of creation. Register also denied registration of sculptures on basis that they were useful articles. Court disagreed, finding sculptures had no intrinsic utilitarian function other than to "portray the appearance" of sculptures. "The fact that they are made to serve some utilitarian purpose doesn't change that. A painting isn't any less copyrightable, for example, just because it is used to cover a hole in the wall." Court again found Register's conclusion likely resulted from confusion as to what plaintiff sought to copyright. As plaintiff sought to copyright underlying sculptures, and not actual stamps, court determined works to be copyrightable.

Inhale, Inc. v. Starbuzz Tobacco, Inc., 103 U.S.P.Q.2d 1066 (C.D. Cal. June 18, 2012)

Plaintiff brought suit for infringement of design of water container intended to function as hookah smoking product. Plaintiff's disclaimer of copyright protection in skull and crossbones graphic placed on water container meant that only allegedly copyrightable material remaining was shape of water container itself. Upon defendants' motion, court dismissed lawsuit on ground that water container was "useful article" intended to

hold water and serve as base to attached hookah and, thus, was not protected by Copyright Act. Court held that any artistic aspects of water container shape, to extent they existed, were not separable from its utilitarian elements. Accordingly, defendants were entitled to judgment that they did not infringe plaintiff's copyright.

Design Ideas, Ltd. v. Yankee Candle Co., 889 F. Supp. 2d 1119 (C.D. Ill. 2012)

District court granted defendant's motion for summary judgment. Plaintiff created sculpture sets, consisting of individual glass sailboat sculptures that held small tea light candles. Defendant created and sold similar sailboat sculptures. Plaintiff sent demand letter and filed complaint, alleging copyright infringement. Plaintiff had copyright registration for catalog that included sailboat sculptures, but Copyright Office explicitly determined on several occasions that copyright protection did not extend to plaintiff's tea light holders because they were useful articles that did not contain separable copyrightable features. Defendant moved for summary judgment, claiming work at issue was not entitled to protection. Before copyright suit can be brought, registration must be granted or refused. If refused, interpretation followed by Copyright Office, as agency responsible for administering copyright law, is entitled to respect as persuasive authority. Work was refused copyright protection by Copyright Office on numerous occasions. Plaintiff argued that Office determination was not entitled to deference because analysis by Office was unreasonable and conclusory. Court, noting that relevant authority specifically recognized that deference to agency opinion varied with "degree of the agency's care, its consistency, formality, and relative expertness and . . . the persuasiveness of the agency's position," found that Office made detailed and well-reasoned decisions; letter refusing registration on one occasion was written by Chief of Visual Arts & Recordation Division. Most importantly, opinion did not conflict with plain meaning of statute or applicable case law. Court found sculptures to be useful articles, and even if separable from their useful function, not sufficiently creative to warrant copyright registration. As works were not copyrightable, court granted defendant's motion for summary judgment.

C. *Compilations and Derivative Works*

U.S. Auto Parts Network, Inc. v. Parts Geek, LLC, 692 F.3d 1009 (9th Cir. 2012)

Ninth Circuit reversed in part district court's grant of defendants' summary judgment motion, holding that jury could find that updates made to software were copyrightable derivative works owned by plaintiff. Defen-

dant computer programmer licensed "Manager" e-commerce software to defendant online auto parts retailer. Programmer later was employed by retailer, and made updates to Manager during employment. Plaintiff competitor later acquired retailer and its intellectual property, including Manager. Plaintiff later hired programmer and retailer's founders, all of whom eventually ended employment with plaintiff. Founders started new competing business, and contracted with programmer to develop new e-commerce software for new business. Plaintiff sued new business, founders and programmer, alleging new e-commerce software infringed rights that plaintiff acquired in Manager through acquisition. Defendants moved for summary judgment, alleging in part that updates were not copyrightable because they infringed programmer's exclusive right to create and authorize creation of derivative works of Manager. Ninth Circuit disagreed, concluding that jury could infer from facts that updates were authorized derivative works because (1) programmer provided both employers with implied, non-exclusive license to prepare derivative works of Manager because programmer willingly updated Manager during his employment in response to employers' requests; (2) at least one update was original and non-trivial because update, described as "material breakthrough," served integral purpose to retailer's business and thus likely required programmer to develop entirely new source code; and (3) update was "independent of, and [did] not affect or enlarge the scope" of programmer's preexisting copyright in Manager because retailer used Manager for several years prior to update, indicating that update added independent functionality, and thus programmer was free to license preexisting Manager without concern that preexisting software infringed plaintiff's updates.

Keeling v. New Rock Theater Productions, LLC, No. 10-9345, 2013 U.S. Dist. LEXIS 33347 (S.D.N.Y. Mar. 11, 2013)

Jury found that defendants infringed plaintiff's copyright in theatrical piece *Point Break LIVE!*, parody of film *Point Break*, and court permanently enjoined defendants from staging additional infringing performances of work. Defendant moved to stay enforcement of injunction pending appeal with Second Circuit. Whether to stay enforcement of injunction pending appeal is in court's discretion. However, movant has burden of demonstrating that circumstances justify court's exercising discretion to grant stay. In considering whether movant has met burden, court considers (1) whether movant has made strong showing that it is likely to succeed on merits; (2) whether applicant will be irreparably injured absent stay; (3) whether stay will substantially injure other parties interested in proceeding; and (4) where public interest lies. Court recognized that permanent injunction could cause significant hardship for defendant, and that defendant would be more greatly injured by erroneous

decision granting stay than plaintiff would be by erroneous decision granting stay. Nonetheless, importance of these considerations is conditioned upon defendant's likelihood of success on appeal. Court found defendant's likelihood of success on appeal remote. Although defendant agreed that parody could be entitled to copyright protection, defendant argued that plaintiff's script consisted only of dialogue original to film *Point Break*, with non-copyrightable elements such as stage directions and theatrical devices, such that there is no residue of copyrighted material in *Point Break LIVE*! Even though production did not include any protectible content, copyright law protects, in addition to copyrightable elements, creative decision by author in arranging unprotectible elements. Therefore, plaintiff's script was entitled to copyright protection even if it contained only creative arrangement of unprotectible elements. Therefore, defendant's chances on appeal were low, and court denied defendant's motion to stay enforcement of permanent injunction.

Bikram's Yoga College of India, L.P. v. Evolation Yoga, LLC, No. 11-5506, 2012 U.S. Dist. LEXIS 177671 (C.D. Cal. Dec. 14, 2012)

Plaintiff, developer of yoga system comprised of particular sequence of yoga poses performed in room heated to 105 degrees Fahrenheit, popularly known as "Bikram Yoga," brought suit for infringement against operators of yoga studios based on defendants' teaching of yoga classes utilizing plaintiff's allegedly protectible sequence of yoga poses. Plaintiff had obtained registrations for books describing yoga sequence, and had attempted to register audio-visual work depicting yoga sequence. Court granted defendants' motion for summary judgment on ground that plaintiff's sequence of yoga poses was not copyrightable as matter of law. Plaintiff's compilation of yoga poses did not fall into any category of authorship under § 102(a). Rather, as specifically held in official policy statement issued by Copyright Office, sequences of yoga poses — compilations of exercises — are functional systems or processes that are not copyrightable subject matter. Nor could plaintiff's yoga sequence be considered pantomime or choreographic work, in view of simplicity of sequence and because it was not "dramatic performance." Finally, plaintiff's registrations only issued for plaintiff's literary and audio-visual works depicting yoga sequence, not for sequence itself, which was instead deemed collection of nonprotectible facts and ideas.

Greene v. Ablon, No. 09-10937, 2012 U.S. Dist. LEXIS 131958 (D. Mass Sept. 17, 2012)

Plaintiff created Collaborative Problem Solving Approach ("CPS Approach") for resolving problems between children with social, emotional

and behavioral challenges and their caregivers. In 1997-1998, plaintiff wrote book titled *The Explosive Child*. In 1999 plaintiff met defendant, and in 2002 plaintiff and defendant prepared prospectus of book geared towards clinicians trying to implement CPS Approach with patients. Plaintiff and defendant signed contract for book, later entitled *Treating Explosive Kids*. Contract listed both as authors, and stated that publisher would register copyright in both plaintiff's and defendant's names. Book was published, and copyright registrations were filed in name of publisher, not plaintiff and defendant. Plaintiff and defendant were both listed as co-authors in registration, however, and were identified as such in various locations in book itself. Relationship between plaintiff and defendant deteriorated, and in 2008 plaintiff sued defendant for copyright infringement. Defendant filed motion for partial summary judgment. At issue was whether *Treating Explosive Kids* was derivative work of *The Explosive Child*. Court found record "sufficiently open-ended to permit a rational fact-finder to conclude either that *Treating Explosive Kids* is a derivative work based on *The Explosive Child* or that *Treating Explosive Kids* is not a derivative work. Court noted that following evidence weighed in favor of not finding *Treating Explosive Kids* to be derivative work: (1) copyright application was blank in sections that reference derivative works; (2) prospectus for *Treating Explosive Kids* made clear proposed work would borrow ideas, rather than expression, from *The Explosive Child*; and (3) contract signed by plaintiff and defendant with publishing company regarding *Treating Explosive Kids* did not reference *The Explosive Child*. However, court also noted plaintiff's argument that cursory glance at two books showed *Treating Explosive Kids* was derivative work. While court was not prepared to decide whether it agreed with plaintiff, fact that works appeared to be substantially similar could reinforce to jury that *Treating Explosive Kids* was derivative work of *The Explosive Child*.

Sun Entertainment Corp. v. Music World Music, LLC, No. 11-625, 2012 U.S. Dist. LEXIS 95171 (M.D. Tenn. July 10, 2012)

Plaintiff owned compilation of master recordings contained in work entitled "Johnny Cash – The Complete Sun Recordings – 1955–1958." Plaintiff and defendant had previously entered into exclusive license agreement whereby defendant was permitted to remix master recordings to include songs on new album. Under agreement, defendant would retain all rights in new album, while plaintiff would retain rights to underlying compositions used in remixed recording and to compilation of original master recordings. When defendant licensed remixed recordings of individual songs without providing plaintiff with its share of net receipts due under agreement, plaintiff brought suit for infringement and breach of contract. Defendant moved to dismiss infringement claim for failure to state claim, on

ground that plaintiff owned copyright only in compilation of master recordings, and not in specific songs contained therein. Court granted defendant's motion, finding that plaintiff owned no protectible rights in specific recordings that comprised compilation at issue. First, court held that copyright protection for compilation as whole does not bestow copyright protection upon specific portions of compilation. Second, § 301 extended federal copyright protection only to sound recordings fixed after February 15, 1972; to hold that plaintiff owned protectible rights in its recordings fixed between 1955 and 1958 would violate that provision.

Metropolitan Regional Information Systems, Inc. v. American Home Realty Network, Inc., 888 F. Supp. 2d 691 (D. Md. 2012)

Court denied defendant's motion to dismiss. Plaintiff provided "multiple listing services" by operating and maintaining database containing real estate listings and related content. Subscribers agreed to upload their content and assign copyright in photographs of listings to plaintiff. Plaintiff registered copyright claim with Copyright Office. Defendant owned and operated real estate search engine and provided real estate agent ratings and rankings. Plaintiff filed suit alleging that defendant without license or permission reproduced, publically displayed and created derivative works from plaintiff's database. Defendant contended that plaintiff did not have cause of action with respect to photographs because they were not registered individually, and plaintiff did not list author or title of each photograph in its registrations for its database. Court found that registration of compilations was sufficient to provide protection to underlying works those compilations encompassed. Copyright Act, moreover, does not require every application for compilation to include author and title of each underlying work, and could be read to require only listing of author and title of compilation. Court found that defendant's reliance on § 103(b) was misplaced. While § 103(b) provides that copyright in compilation or derivative work extends only to material contributed by author of work, rather than preexisting material, section covers subject matter of copyright, not registration, and prevents compilation copyright holders from acquiring rights to other authors' works simply by including them in compilations. Here, however, plaintiff claimed copyright ownership of underlying works as well as compilations. Defendants argued further that assignments of copyrights to plaintiff from original authors were void because they were not in writing. However, court found that plaintiff submitted credible evidence that through their subscribers' electronic submission of photographs, relevant provision of Electronic Signatures in Global and National Commerce (ESIGN) Act was satisfied. Defendants argued further that assignments were invalid because they failed to "clearly identify the deal and the basis parameters." However, court

found that plaintiff's terms of use were clear, so that plaintiff had credible claim that subscribers intended to assign their rights to plaintiff.

III. OWNERSHIP

A. Works Made for Hire

Buday v. New York Yankees Partnership, 486 Fed. App'x 894 (2d Cir. 2012)

Second Circuit affirmed district court decision dismissing complaint. Plaintiff alleged that Yankees failed to pay her uncle for logo he designed for team in 1930s, and revised in 1947. District court found plaintiff lacked standing to assert copyright claim. On appeal, plaintiff argued that district court failed to recognize that 1976 Copyright Act "grandfathered in" common law copyright claims such as plaintiff's, alleging infringement of unpublished work created before 1978. Thus, to bring her copyright claim within scope of 1976 Act, plaintiff would have to allege facts supporting conclusion that logo was unpublished. Allegations in complaint established that plaintiff had no such claim; alleged facts established that Yankees published logo by using it on team jerseys after plaintiff's uncle conveyed logo to Yankees, and authorized Yankees to publish it, all prior to effective date of 1976 Act. Court therefore lacked subject matter jurisdiction. Moreover, facts alleged by plaintiff clearly established that she did not have copyright interest in logo because logo was "work for hire" under 1909 Act. Yankees commissioned uncle to create logo; uncle created logo; Yankees accepted logo and commissioned uncle to revise logo, and uncle complied. Under 1909 Act, there is strong presumption against finding copyright interest in party who created work on behalf of another, which can be overcome by evidence of oral or written agreement to contrary. Second Circuit found that plaintiff did not plead facts sufficient to overcome presumption because she did not allege existence of agreement that would have preserved uncle's copyright interest in logo, and that would have allowed uncle to assign interest to plaintiff.

U.S. Auto Parts Network, Inc. v. Parts Geek, LLC, 692 F.3d 1009 (9th Cir. 2012)

Ninth Circuit reversed in part district court's grant of defendants' summary judgment motion, finding that plaintiff had ownership interest in software developed by defendant computer programmer because updates were works made for hire. Defendant computer programmer licensed "Manager" e-commerce software to online auto parts retailer. Programmer later was employed by retailer, and made updates to Manager during employment. Plaintiff competitor later acquired retailer and its intellectual property, including Manager. Plaintiff later hired programmer and

retailer's founders, all of whom eventually ended employment with Plaintiff. Founders started new competing business and contracted with programmer to develop e-commerce software for new business. Plaintiff sued new business, founders and programmer, alleging new e-commerce software infringed rights that plaintiff acquired in Manager through acquisition. Defendants moved for summary judgment, alleging plaintiff had no ownership interest in Manager because programmer never transferred ownership interest in Manager and subsequent versions thereof to retailer or plaintiff. District court agreed, holding that plaintiff had no ownership interest and thus lacked standing. Plaintiff appealed, arguing that updates programmer made to Manager while working for retailer and plaintiff were works for hire, and thus plaintiff owned copyright in updates both as successor-in-interest and as employer. Ninth Circuit agreed, concluding jury could find that updates were works made for hire given that (1) modifications were kind of work programmer was hired to perform because while at retailer, programmer was "Director of eServices," and his responsibilities at both employers involved updating Manager at employers' request; (2) updates were done within authorized work hours and space because neither employer strictly differentiated between work and home office and hours, and despite dearth of evidence regarding whether updates occurred substantially within authorized time and space limits, this was not dispositive because when there is evidence that work was kind of work employee was hired to perform, "courts have tended to put little weight on evidence that 'the work was done at home during off-hours'" (quoting *Avtec Systems, Inc. v. Peiffer*, 21 F.3d 568 (4th Cir. 1994)); (3) updates were based in part on purpose to serve employers, as programmer made some updates because they were helpful or needed by employers; and (4) there was no written agreement by parties that programmer would retain authorship of updates.

Fleurimond v. New York University, 876 F. Supp. 2d 190 (E.D.N.Y. 2012)

Plaintiff, graphic artist and former student-employee, sued defendant NYU alleging defendant infringed plaintiff's copyright by using and selling various items bearing plaintiff's NYU mascot design without consent. While attending NYU, plaintiff was employed as equipment room aide for NYU Athletics Department. NYU then approached plaintiff to assist with various graphic design projects, including development of new bobcat mascot design. Over course of several months, plaintiff, both on her own initiative and at direction of NYU, created and proposed several versions of mascot design, one of which NYU ultimately used. Although plaintiff received compensation for work as equipment room aide, and separately for time spent on graphic design projects, plaintiff alleged she was not

compensated specifically for work on mascot design. Sole issue on summary judgment was whether plaintiff owned valid copyright in design, or design was work made for hire owned by NYU. Since plaintiff was undisputedly employed by defendant as both equipment room aide and graphic designer when she created designs at issue, court focused on whether designs were created within scope of plaintiff's employment as graphic designer. Applying relevant factors, court found that "as an employee of the Athletic Department, employed to create promotional materials for the Athletic Department," defendant's request for plaintiff to assist in creation of new mascot design was not unrelated to plaintiff's job. Moreover, plaintiff received artistic direction from defendant in creation and revision of designs, such that defendant exercised control over plaintiff's work on mascot design. Accordingly, court found work on mascot design was type of work plaintiff was employed to perform. Court also found mascot design was created within authorized time and space limits of plaintiff's graphic design job, as plaintiff's work on mascot design occurred substantially on defendant's time while plaintiff was employed by defendant. Record also showed that plaintiff was motivated to create mascot design largely to serve interests of NYU. Since "undisputed evidence shows that creation of [mascot design], although done at home and allegedly without compensation, was admittedly done 'at the request of NYU' and was part of the mascot design project that the plaintiff was working on during NYU's time," court held mascot design was work made for hire, and granted summary judgment for defendant.

Ward v. Mitchell, No. 12-3932, 2013 U.S. Dist. LEXIS 58917 (N.D. Cal. Apr. 24, 2013)

Magistrate judge granted plaintiff Ward's motion to dismiss defendant Farm Hand Productions, Inc.'s counterclaims for copyright infringement pursuant to Rule 12(b)(6). Farm Hand alleged that it entered into unsigned written agreement with Ward whereby Ward would provide musical compositions, including album *End of Amnesia* and two subsequent albums, on work-for-hire basis. Farm Hand alleged that, in violation of agreement, Ward's second album, *Transfiguration of Vincent*, and third album, *Transistor Radio*, were delivered to third-party production company. Ward registered copyrights for *End of Amnesia* album in 2005. Farm Hand alleged that (1) Ward was infringing its copyrights in subsequent albums, (2) all copyrights at issue were owned by Farm Hand, as they were created under as work for hire, and alternatively, (3) Farm Hand had nonexclusive copyright license to compositions and sound recordings of all three albums. Magistrate found that Farm Hand's pleading failed to state copyright infringement claim because (1) there had been no "preregistration or registration copyrights for the two albums at issue," and (2) Farm

Hand failed to allege either (a) requisite employer-employee relationship, or (b) existence of signed written instrument expressly designating two albums as work for hire, and thus Farm Hand failed to sufficiently plead ownership under work-for-hire theory. Finally, magistrate found that nonexclusive license did not confer right of ownership for purposes of copyright infringement claim.

Capital Concepts, Inc. v. Mountain Corp., No. 11-36, 2012 U.S. Dist. LEXIS 182874 (W.D. Va. Dec. 30, 2012)

District court denied defendants' motion for summary judgment, finding that plaintiff owned copyrights in works, even though copyright registrations inaccurately described works as works made for hire. Plaintiff granted defendants license for unique designs for new line of outdoor-themed t-shirts. When license agreement terminated, defendants continued to sell clothing with plaintiff's designs, but sent royalties to plaintiff. Plaintiff sued defendants for willful infringement, and defendants moved for summary judgment, arguing that plaintiff did not own copyrights as copyright registrations were invalid. Plaintiff had executed agreement with graphic designer who created works, which stated designs were works made for hire. Based on agreement, plaintiff stated in copyright applications that works were made for hire. As graphic designer who created works was not employee of plaintiff, and works did not fit in any of nine categories of specially ordered or commissioned works under statute, works were not legally works made for hire. Defendants argued that copyright registrations were thus invalid. Court agreed that works were not works made for hire. However, court applied well-settled principle that mistake or omission in copyright application does not necessarily render registration invalid; defendants would have to prove fraud on Copyright Office to succeed on that basis. Here, plaintiff mistakenly relied on language in agreement, and therefore made harmless and immaterial mistake in copyright application by inaccurately describing works as works made for hire, rather than basing ownership claim on written assignment. As agreement was clearly in place when plaintiff filed for copyright registrations, and agreement assigned works to plaintiff, copyright registrations were valid, and plaintiff was entitled to jury trial on infringement claim.

Molinelli-Freytes v. University of Puerto Rico, No. 09-1655, 2012 U.S. Dist. LEXIS 143262 (D.P.R. Sept. 30, 2012)

Court, adopting Magistrate Judge's Report and Recommendation *in toto*, granted summary judgment for defendants. Plaintiffs, professor and university program director, sued defendant university, alleging infringement based on defendant's use of plaintiffs' manuscript containing proposal for new academic program in creation of new graduate program at university.

Court agreed with Magistrate Judge that work-for-hire doctrine applied to vest ownership of plaintiff's proposal in defendant. Court noted that creation of proposal was "the kind" of work plaintiffs were employed to perform, notwithstanding that plaintiffs developed proposal during spare time. Court also rejected plaintiffs' argument that defendant's Intellectual Property Policy constituted written instrument transferring ownership of proposal to plaintiffs, because defendant's policy document was not signed by both parties and was too broad to properly evidence consent to transfer property rights. Since court found plaintiffs' proposal was created within scope of plaintiff's employment and parties had not executed any agreement transferring rights to plaintiffs, court granted summary judgment to defendant.

B. Transfer of Ownership

Society of the Holy Transfiguration Monastery, Inc. v. Gregory, 689 F.3d 29 (1st Cir. 2012)

First Circuit found that summary judgment was properly granted as to each of former monastery's claims. Plaintiff monastery translated religious texts from original Greek to English. Defendant, previously affiliated with plaintiff, moved to Denver, where he formed his own monastery. Defendant displayed portions of translated text on his website. Defendant argued that translated religious texts were owned by third party, Russian Orthodox Church Outside of Russia ("ROCOR") since plaintiff was once part of ROCOR, and its secession in 1986 effectively transferred copyrights to ROCOR. Defendant contended that pursuant to Monastic Statutes (to which all member monasteries must agree when joining ROCOR), plaintiff expressly accepted that if it ever stopped being ROCOR monastery, its property would be transferred to ROCOR. Monastic Statutes provide that "in case of [a monastery's] closing or liquidation, its possessions will be handed over to the diocese." Court found that because monastery never closed, liquidated or ceased its existence, it did not hand over its possessions to ROCOR. Moreover, court interpreted statute to provide that on joining ROCOR, monasteries would remain owners of their property unless they became incorporated as entities of ROCOR. Since plaintiff never incorporated as entity of ROCOR, its property remained in its possession. Defendant asserted that translated texts were not original and therefore, not copyrightable because works were derivative of other works, and plaintiff made only insignificant changes to its translations. However, according to Copyright Act, translations can be original and copyrightable even though they may be derivative of other works, provided there is originality in arrangement and selection of work. Court found that plaintiff had cleared "extremely low" creativity bar and

affirmed district court's determination that works were original and copyrightable.

Larson v. Warner Bros. Entertainment, Inc., No. 04-8776, 2013 U.S. Dist. LEXIS 55950 (C.D. Cal. Apr. 18, 2013)

Court granted defendants' motion for summary judgment, drawing "litigation of superhero proportions" to close. In 1938, authors Siegel and Shuster signed agreement selling Superman to DC Comics for $130. DC intended to publish Superman in inaugural issue of Action Comics, which it promoted in advance in black-and-white advertisements ("Ads"). In 1943, while Siegel was stationed abroad with U.S. Army, DC published five-page "Superboy" comic strip without Siegel's consent and without giving him notice. "Several rounds of litigation ensued, but suffice it to say for present purposes that the parties continue to dispute ownership, publication, and copyrightability of various aspects of Superboy." In 1997 plaintiffs, Siegel's daughter and widow, served DC with "nearly six-pound, 546-page termination notice" of Siegel's Superman copyright grants under § 304(c). 1997 termination notice applied to Siegel's Superman works published between 1938 and 1943, and on its face purported to cover Superman, Superboy and Ads. Negotiations between DC and Siegels culminated in 2001 letter that purported to cover Superboy and Ads, which court found constituted operative agreement between parties. Siegels later repudiated 2001 agreement, and in 2002 served additional termination notice purporting to recover Superboy works; sued DC in 2004 for declaratory relief with respect to 1997 and 2002 termination notices; and, after different judge held earlier in litigation that 2001 settlement agreement was not binding, and that 1997 termination notice failed to capture Ads, served 2012 notice of termination regarding Ads. Parties now disputed effect of 2001 settlement agreement on Superboy and Ads in light of 2002 and 2012 notices of termination. At outset, court noted that case did not implicate revocation and re-grant scenario, despite parties' many pages of argument on issue. Court reasoned that parties had entered into settlement agreement after Sonny Bono Copyright Term Extension Act ("CTEA") became effective in 1999, and so extended termination rights CTEA bestowed had already vested by time settlement agreement was consummated. Thus, only relevant issue to determine was whether agreement constituted "agreement to the contrary" under § 304(c)(5). Court held that settlement agreement between parties regranted copyrights in plaintiffs' Superman and related works to defendant DC in return for substantial advances and royalties. Because agreement leveraged plaintiffs' all-encompassing termination notice to extract highly remunerative new grant of same rights, it was tantamount to following statutory formalities, and thus did not constitute "agreement to the con-

trary" under statute. Accordingly, court granted defendants' motion for summary judgment in its entirety.

DC Comics v. Pacific Pictures Corp., No. 10-3633, 2012 U.S. Dist. LEXIS 149532 (C.D. Cal. Oct. 17, 2012)

Plaintiff brought suit to secure its claimed interest in Superman copyrights after heirs of illustrator, Joseph Shuster, served plaintiff with termination notice in November 2003 purporting to recapture early Superman works as of October 2013. Plaintiff moved for partial summary judgment, seeking (1) declaration that termination notice was invalid; and (2) defendants' agreements purporting to assign Superman copyrights to third party violated Copyright Act. Court granted plaintiff's motion on both claims. First, court held that purported termination notice was not valid under § 304(d), which provides termination right for prior grant of copyright transfer made before January 1, 1978. Although parties did not dispute that Shuster had assigned exclusive right to use Superman characters and story to plaintiff in 1938, well before 1978, court held that 1992 agreement between plaintiff and Shuster's heirs superseded all prior agreements concerning Shuster's copyrights; re-granted plaintiff all "such rights" in Shuster's copyrights; and released all claims, rights and remedies available to Shuster's heirs concerning those copyrights. Because 1992 agreement represented Shuster heirs' sole opportunity to renegotiate prior grants of copyrights with plaintiff, and such grant occurred post-1978, it was not subject to termination under § 304(d). Second, court held that defendants' 2001/2003 agreements purporting to transfer Shuster's copyrights to third party were invalid under § 304(c)(6)(D) because they pre-dated effective termination date in 2013, and thus as matter of law did not, and could not, transfer prospective copyrights that were purportedly subject to those agreements.

Capital Concepts, Inc. v. Mountain Corp., No. 11-36, 2012 U.S. Dist. LEXIS 182874 (W.D. Va. Dec. 30, 2012)

District court denied defendants' motion for summary judgment, finding valid transfer of copyright based on written agreement between designer of works and plaintiff. Plaintiff granted defendants license for unique designs for new line of outdoor-themed t-shirts. License agreement expressly stated plaintiff owned copyright in designs. Plaintiff registered 19 of 32 designs it licensed to defendants. When license agreement terminated, defendants continued to sell clothing with plaintiff's designs, but sent royalties to plaintiff. Plaintiff sued defendants for willful infringement, and defendants moved for summary judgment, arguing that plaintiff did not own copyrights. Defendants contended that agreement between plaintiff and graphic designer who created designs did not transfer owner-

ship of copyrights to plaintiff because agreement improperly classified works as works made for hire. Court agreed works were not made for hire, but found agreement between designer and plaintiff sufficient to transfer copyright ownership under § 204(a), which allows owner to transfer copyright through signed written agreement, provided agreement is clear as to parties' intent. Agreement demonstrated mutual intent of graphic designer and plaintiff to transfer copyrights, and designer confirmed intent in deposition testimony. Further, while not necessary to defeat defendants' arguments, graphic designer executed subsequent "Memorandum of Terms" confirming intent to assign copyrights to plaintiff. Defendants did not have standing to challenge validity of agreement between plaintiff and graphic designer.

Metropolitan Regional Information Systems, Inc. v. American Home Realty Network, Inc., 888 F. Supp. 2d 691 (D. Md. 2012)

Court denied defendant's motion to dismiss. Plaintiff provided "multiple listing services" by operating and maintaining database containing real estate listings and related content. Subscribers agreed to upload their content and assign copyright in photographs of listings to plaintiff. Plaintiff registered copyright ownership claim with Copyright Office. Defendant owned and operated real estate search engine and provided real estate agent ratings and rankings. Plaintiff filed suit, alleging that defendant without license or permission reproduced, publically displayed and created derivative works from plaintiff's database. Defendant contended that plaintiff did not have cause of action with respect to photographs because they were not registered individually with Copyright Office, and plaintiff did not list author or title of each photograph in its registrations for its database. However, court found that registration of compilation is sufficient to provide copyright protection to underlying works those compilations encompassed. Moreover, Copyright Act does not require every application for compilation to include author and title of each underlying work, and could be read to require only listing of author and title of compilation. Court found that defendant's reliance on § 103(b) was misplaced. While § 103(b) provides that copyright in compilation or derivative work extends only to material contributed by author of work, rather than preexisting material, this section covers subject matter of copyright, not registration, and prevents compilation copyright holders from acquiring rights to other authors' works simply by including them in compilations. Here, however, plaintiff claimed copyright ownership of underlying works. Defendants argued further that assignments of copyrights to plaintiff from original authors were void because they were not in writing. However, court found that plaintiff submitted credible evidence that through their subscribers' electronic submission of photographs, relevant provision of

Electronic Signatures in Global and National Commerce (ESIGN) Act was satisfied. Additionally, defendants argued that assignments were invalid because they failed to "clearly identify the deal and the basis parameters." However, court found that plaintiff's terms of use were clear, such that plaintiff had credible claim that subscribers intended to assign their rights to plaintiff.

Robert Kubicek Architects & Associates v. Bosley, No. 11-2112, 2012 U.S. Dist. LEXIS 178236 (D. Ariz. Dec. 14, 2012)

District court granted in part and denied in part defendants' motion for summary judgment. Plaintiff ("RKAA") was architectural firm; individual defendant Bosley was architect, former president and member of board of directors at RKAA. For ten years at RKAA, Bosley was principally responsible for managing work of client Bashas' Inc. ("Bashas'"). Bosley resigned from RKAA, and started new firm, The Bosley Group Inc. ("TBG"). Bashas' hired TBG rather than RKAA for new work. RKAA sued Bosley, TBG and Bashas' for infringement, alleging that when Bosley left firm, TBG acquired copies of RKAA's copyrighted architectural drawings related to Bashas' projects, and later unlawfully copied drawings for work on Bashas' projects. Defendants TBG, Bosley and Bashas' argued that RKAA transferred or waived copyright rights through conduct because Bashas' worked with RKAA for more than twenty years, and kept plans at own offices. Additionally, defendants argued RKAA licensed works to Bashas' through verbal agreements, waiving any rights to infringement claims, as Bashas' was able to use works in "whatever way they wanted," including with architects other than RKAA. RKAA did not deny that it provided copies of plans to Bashas' over years, or that it permitted Bashas' to use plans with other architects. RKAA argued instead that granting Bashas limited right to use works did not transfer ownership, particularly as there was no signed instrument transferring work from plaintiff to Bashas'. RKAA also argued that it did not grant license to Bashas' because its releases of work were provisional; RKAA only granted permission for Bashas' to use particular drawings for particular purpose. Court concluded course of conduct and verbal agreements cited by defendants were not sufficient to show transfer of ownership. Additionally, court found RKAA raised issue of material fact as to whether RKAA granted Bashas' license to use drawings for work by other architects on other Bashas' projects, and whether such permission extended to TBG's use of works at issue in case. Court therefore denied defendants' motion for summary judgment with regard to RKAA's waiver of rights and transfer of ownership of copyrights.

C. Joint Works and Co-Ownership

Sprengel v. Mohr, No. 11-8742, 2013 U.S. Dist. LEXIS 24701 (C.D. Cal. Feb. 21, 2013)

Sprengel, licensed anesthesiologist, wrote book titled *Kaye's Chemo Book* when sister suffered from cancer. Mohr saw copy of book when visiting Sprengel's sister, and proposed that she and Sprengel work together. Mohr would manage day-to-day aspects of business, and Sprengel would finish book and retain final creative veto power. Mohr and Sprengel contributed as planned, and created final products, *ChemoCompanion Care Guide* and *ChemoCompanion Pocket Guide* ("Derivative Works"). Mohr did not write any text, aside from headings, and considered her contribution to be adding "look, tone and feel" of finished works. Mohr regularly and consistently referred to Sprengel as "the" author in communications about works, and did not refer to herself as author until litigation commenced. Derivative Works were later published. All versions stated they were written by Sprengel "with" Mohr, except German and Spanish versions, which contained translation error making both co-authors. Relationship between Sprengel and Mohr eventually deteriorated, and Sprengel sued Mohr for copyright infringement of Derivative Works. Mohr claimed she was joint author. As there was no binding contract regarding authorship, court assessed Mohr's claim under *Aalmuhammed v. Lee*, 202 F.3d. 1227 (9th Cir. 2000). *Aalmuhammed* court laid out factors to determine whether work is joint: (1) superintendence by exercise of control; (2) objective manifestation of intent to be co-authors; and (3) audience appeal that turns on inextricably intertwined contributions. Author usually is "inventive or master mind who creates, or gives effect to the idea," and control is most important factor. Under *Aalmuhammed*, court found Mohr could not be joint author because her contributions to Derivative Works were not independently copyrightable. Mohr did not write any substantive text, and only contributed titles, slogans, typographic ornamentation, lettering, coloring and ideas, which are not entitled to copyright protection. Even if contributions were independently copyrightable, Mohr was not "author" because each factor articulated in *Aalmuhammed* weighed against finding of joint ownership. Accordingly, court found Sprengel sole author of Derivative Works.

Reinsdorf v. Skechers U.S.A., No. 10-7181, 2013 U.S. Dist. LEXIS 16223 (C.D. Cal. Feb. 6, 2013)

District court denied defendant's motion for summary judgment dismissing copyright infringement claim, finding issue of fact as to whether certain advertisements were joint works by plaintiff and defendant. Defendant shoe company hired plaintiff photographer to conduct several

photo shoots. Plaintiff delivered raw photographs to defendant, and defendant modified photographs for use in its advertisements. No raw, unaltered photograph was ever incorporated into finished advertisement. Plaintiff, contending that he granted defendant limited license, alleged copyright infringement based on defendant using his copyrighted photographs in violation of temporal and geographic limits of license. Defendant moved for summary judgment that advertisements were joint works; co-authors of joint work cannot be held liable to one another for infringement of copyright in joint work. Joint work is copyrightable work prepared by (1) two or more authors, who (2) make independently copyrightable contributions, and (3) intend that those contributions be "merged into inseparable or interdependent parts of a unitary whole." Plaintiff argued in opposition that he did not make independently copyrightable contributions to final advertisements, and thus was not joint author of them. Criteria for joint authorship include (1) whether alleged author exercises control over work, serves as "the inventive or master mind," or creates or gives effect to idea; (2) whether there exists "objective manifestation of a shared intent to be coauthors"; and (3) whether "audience appeal turns on both contributions and the share of each in its success cannot be appraised." Court distinguished between intent to contribute to work and intent to be joint author. Finding evidence that parties' behavior toward one another could indicate lack of intent to be joint authors, court found genuine dispute of material fact as to whether defendant's finished advertisements were products of multiple authors.

Greene v. Ablon, No. 09-10937, 2012 U.S. Dist. LEXIS 131958 (D. Mass Sept. 17, 2012)

Court granted defendant's motion for partial summary judgment, finding book was joint work. Plaintiff created Collaborative Problem Solving Approach ("CPS Approach") for resolving problems between children with social, emotional and behavioral challenges and their caregivers. In 1997–98, plaintiff wrote book titled *The Explosive Child*. In 1999 plaintiff met defendant, and in 2002 plaintiff and defendant prepared prospectus of book geared towards clinicians trying to implement CPS Approach with patients. Plaintiff and defendant signed contract for book, later entitled *Treating Explosive Kids*. Contract listed both as authors, and stated that publisher would register copyright in both plaintiff's and defendant's names. Parties disputed extent of defendant's contribution to book. Plaintiff claimed defendant contributed less than fifteen pages out of 226 pages of text, while defendant argued that he contributed to about 145 pages. Book was published, and copyright registrations were filed in name of publisher, not plaintiff and defendant. Parties were both listed as co-authors in registration, and were identified as such in various locations in

book itself. Relationship between plaintiff and defendant deteriorated, and in 2008 plaintiff sued defendant for copyright infringement. Defendant filed motion for partial summary judgment that book was joint work. Plaintiff argued that factual dispute regarding defendant's contributions precluded summary judgment. Court disagreed, stating that extent of defendant's contribution was immaterial. Assuming truth of plaintiff's assertion that defendant contributed only fifteen pages of book, such contribution was still "more than word or line" standard used to determine whether contribution is *de minimis*. Plaintiff also contended that dispute existed as to whether parties intended *Treating Explosive Kids* to be joint work at time book was created. Key question was not whether parties intended work to be joint in colloquial sense, but whether they intended their independent contributions to be "merged into inseparable or interdependent parts of unitary whole." Court stated that even though plaintiff's affidavit suggested frustration with defendant's contribution, there was no evidence that plaintiff believed work was anything other than unitary book. Court therefore found no genuine issue of material fact with regard to parties' intent that contributions be merged into unitary whole. Defendant argued that plaintiff's pleadings referenced defendant and plaintiff as co-authors; plaintiff countered that such arguments were in alternative. Court found arguments were not in alternative. However, because court found that evidence in record was otherwise sufficient to establish defendant's entitlement to summary judgment that *Treating Explosive Kids* was joint work, court need not determine whether verified pleadings alone could provide sole, independent basis for foreclosing plaintiff's argument that *Treating Explosive Kids* was not joint work.

Richards v. Platz, No. 10-2262, 2013 U.S. Dist. LEXIS 13953 (N.D. Ga. Jan. 30, 2013)

In action between plaintiff screenwriters/producers and defendant authors concerning rights in screenplay written by plaintiffs based on defendants' manuscript, court held that screenplay did not infringe manuscript, and was co-owned by both parties. Court, however, denied plaintiffs' request for declaratory judgment that they had right to market and produce film version of screenplay. Parties had joined forces initially to create screenplay based on defendants' original manuscript to be produced by plaintiffs' film production company. Parties memorialized relationship in agreement which stated in relevant part that "Copyright Holders and Writers/Producers shall own the script in full partnership." Relationship went sour after plaintiffs' draft screenplay — originally praised by defendants — was rejected as unsatisfactory and unmarketable. Plaintiffs brought claim for summary judgment seeking, among other claims, declaratory judgment that (1) plaintiffs owned valid and enforceable copyright in screenplay; (2)

screenplay did not infringe defendants' copyright in underlying manuscript; and (3) plaintiffs were entitled to market and produce film version of screenplay without interference from defendants. Defendants moved for summary judgment. Court held that screenplay was sufficiently original to be copyrightable as derivative work — taking into account additions, revisions and deletions made by plaintiffs — and, by virtue of express provision in agreement, parties were co-owners of copyright as matter of law. Court further found screenplay did not infringe defendants' manuscript because agreement between parties expressly provided that plaintiffs would use manuscript to create screenplay, and thus did not *unlawfully* use preexisting material upon which it was based. However, court rejected plaintiffs' argument that, as co-owners, plaintiffs were free to make use of screenplay, including pre-existing material taken from manuscript, without involvement by defendants. Court reasoned that plaintiffs' copyright in derivative work was limited solely to work contributed by plaintiffs, and did not extend to any material taken from manuscript. Further, movie would be derivative work of manuscript and would necessarily infringe defendants' copyright in manuscript unless defendants had granted permission to use manuscript. Court looked to parties' agreement and determined that defendants had not granted plaintiffs permission to use screenplay for future derivative works such as movie. Plaintiffs, therefore, were not entitled to declaratory judgment that they had right to use any materials in screenplay taken from underlying manuscript.

D. Contracts and Licenses

Baisden v. I'm Ready Productions, 693 F.3d 491 (5th Cir. 2012)

Fifth Circuit affirmed district court's grant of declaratory judgment for defendants. Plaintiff, author of novels *Men Cry in the Dark* and *Maintenance Men*, appealed judgment in favor of defendant production and entertainment companies on claims of copyright infringement with regard to plays adapted from novels, and sales of DVDs of plays. Parties entered into agreements whereby defendant was granted adaptation rights in to plays. Jury found that oral agreements renewed or extended licenses when they expired. Consent for implied license was supported by plaintiff's attendance at several of plays, and autographing copies of DVDs. Defendants testified that there was oral agreement to continue relationship under terms of license; evidence was sufficient for jury to find that defendants were granted implied nonexclusive license. Extension did not have to be in writing, as performance removed case from Texas statute of frauds, and new agreement was performed within one year. District court's declarations of rights were co-extensive with those of license, which limited defendant's copyright to materials it created, and preserved plaintiff's

copyrights in novels, including whatever parts were taken from them and incorporated into plays.

Agence France Presse v. Morel, No. 10-2730, 2013 U.S. Dist. LEXIS 5636 (S.D.N.Y. Jan. 14, 2013)

Court granted defendant's motion for summary judgment that plaintiff-counterclaim defendant was liable for copyright infringement. Defendant was photojournalist who worked in Haiti and New York. When Haitian earthquake struck on January 12, 2010, defendant was in Haiti, and took first photos on scene. Defendant posted photos to Twitter using TwitPic, indicating they were available for purchase. Photos were copied by third party Lisandro Suero, who claimed them as his own copyrighted work and sold them to plaintiff, French newswire service. Plaintiff shared photos with Getty under licensing deal with Getty. Plaintiff/Getty licensed defendant's photos, credited to Suero, to news outlets all over world. Defendant hired lawyer and sent claim letter to defendant. Plaintiff responded by suing for declaratory judgment that it had not infringed; defendant counter-claimed for copyright infringement. Plaintiff argued that it was allowed to take pictures from Twitter for free because of Twitter's Terms of Service, to which defendant had agreed. Terms of Service allowed for broad re-use rights; plaintiff argued that "this broad re-use is evidenced every day when Twitter/TwitPic posts are copied, reprinted, quoted, and republished by third parties." Plaintiff argued that defendant wanted to "inform the world of the disaster, and he did so using Twitter." Plaintiff pointed out that Twitter encourages use of tweets by media, and warns users that their tweets may well be featured by media. Court agreed; however, Terms of Service also told users that "you own your content" and "what's yours is yours — you own your Content (and your photos are part of that Content)." Court granted defendant's motion for summary judgment, finding that plaintiff could not rely on Twitter's Terms of Service for what it did with defendant's photos. "Construing the Twitter TOS to provide an unrestrained, third-party license to remove content from Twitter and commercially license that content would be a gross expansion of the terms of the Twitter TOS."

Powlus v. Hanover Direct, Inc., No. 09-10461, 2012 U.S. Dist. LEXIS 161349 (S.D.N.Y. Nov. 7, 2012)

District court found defendants to be licensees of plaintiffs' photography pursuant to written release. Plaintiffs alleged direct and contributory infringement of photographs taken by plaintiff Novajosky to promote defendants' home products. Defendants moved to dismiss complaint on ground that Novajosky granted defendants license to use photographs through written release. Plaintiffs opposed on grounds that payment in

full of invoice was condition precedent to effectiveness of release, and that defendants' failure to pay full amount owed prevented defendants from obtaining legal right to use photographs. Plaintiffs further argued that defendants' failure to pay full amount was material breach of release, giving Novajosky right to rescind release. Court found that release did not contain express condition precedent concerning invoice and therefore, under terms of release, defendants became licensees and did not infringe plaintiffs' copyrights. Court found further that plaintiffs were not entitled to rescind release because (1) defendants' breach was not material; (2) complaint did not allege that plaintiffs engaged in affirmative act to rescind; and (3) there was no automatic rescission provision. Court, however, denied motion to dismiss, and allowed plaintiffs to attempt to prove at trial that oral condition precedent prevented release from becoming effective. Following jury trial, jury returned special verdict finding that there was no oral condition precedent to effectiveness of release. As such, under terms of release, defendants became licensees, and therefore did not infringe plaintiffs' copyrights.

Fontana v. Harra, No. 12-10708, 2013 U.S. Dist. LEXIS 35067 (C.D. Cal. Mar. 12, 2013)

District court granted motion to dismiss copyright infringement claim without prejudice, with leave to amend complaint. Plaintiff, screenwriter and producer, filed suit against defendant, psychic, for copyright infringement regarding plaintiff's screenplay entitled *Decoding Her Destiny – The Carmen Harra Story*. Plaintiff alleged that defendant was using screenplay without consent to make and promote film about defendant's life story. Parties agreed that defendant requested creation of screenplay, and that plaintiff created screenplay and delivered it to defendant. Plaintiff contended that parties agreed that plaintiff would be employed on any film as "co-producer." Plaintiff sought money damages and injunction preventing defendant from using screenplay to promote or produce film. Defendant moved to dismiss, arguing that under facts alleged by plaintiff, defendant received implied non-exclusive license to use plaintiff's screenplay under parties' oral agreement. Implied license is found if "(1) a person (the licensee) requests the creation of a work, (2) the creator (the licensor) makes that particular work and delivers it to the licensee who requested it, and (3) the licensor intends that the licensee-requestor copy and distribute his work." *Asset Marketing Systems, Inc. v. Gagnon*, 542 F.3d 748, 754 (9th Cir. 2008). As to plaintiff's intent, court must consider whether plaintiff, when he authored screenplay, intended to allow defendant to use it to promote and create film. Plaintiff argued that he never intended to allow defendant to use script until he received payment in full. Plaintiff also argued that facts surrounding ongoing business relationship with defen-

dant demonstrated that he did not intend to allow defendant to use screenplay to create and promote film. Court rejected first argument, finding no evidence that parties intended payment in full to operate as condition precedent to implied license. Court also found that ongoing producer relationship contemplated by parties did not indicate lack of intent to create implied license. Court, reviewing totality of facts, found that plaintiff wrote and delivered screenplay with intent that defendant would use it to create and promote film, and this intent gave rise to non-exclusive license that provided defendant with right to use screenplay. Finding that plaintiff's allegations did not state claim for copyright infringement, court granted plaintiff leave to amend complaint if he could demonstrate facts showing that plaintiff did not intend to allow defendant to use screenplay to create and promote film.

Craigslist, Inc. v. 3Taps Inc., No. 12-3816, 2013 U.S. Dist. LEXIS 61837 (N.D. Cal. Apr. 29, 2013)

Plaintiff Craigslist brought direct and contributory copyright infringement claims against defendants, which "scraped" all content posted to Craigslist in real time, directly from Craigslist website. Plaintiff alleged that defendants improperly harvested and reproduced contents of Craigslist website by republishing ads and content via third-party websites and computer applications. Defendants moved to dismiss copyright claims on ground that Craigslist did not own valid copyrights in underlying works. Court determined that works in question — individual Craigslist posts, and compilations of posts — were sufficiently original to warrant protection. With regard to individual posts, however, court found that Craigslist had acquired exclusive license, necessary to assert copyright claims, only for period of time during which Craigslist had presented users with click-through notice of exclusive transfer of copyright. Accordingly, Craigslist's license to user-created posts submitted outside of that time period was non-exclusive, and Craigslist therefore could not sue for infringement of such posts. Craigslist Terms of Use, on their face, "do not give any indication that the license 'grant[ed] and assign[ed]' by users is exclusive." Court thus granted defendants' motion to dismiss claims with respect to user-created posts outside specified time frame.

Sprengel v. Mohr, No. 11-8742, 2013 U.S. Dist. LEXIS 24701 (C.D. Cal. Feb. 21, 2013)

Court, in bench trial, ruled in favor of affirmative defense to copyright infringement based on implied nonexclusive license. Sprengel, licensed anesthesiologist, wrote book titled *Kaye's Chemo Book* when sister suffered from cancer. Mohr saw copy of book when visiting Sprengel's sister, and proposed that she and Sprengel work together. Mohr would manage

day-to-day aspects of business, and Sprengel would finish book and retain final creative veto power. Mohr and Sprengel contributed as planned, and created final products, *ChemoCompanion Care Guide* and *ChemoCompanion Pocket Guide* ("Derivative Works"). Mohr and Sprengel formed company Purposeful Press to market Derivative Works, and create additional works based on *Kaye's Chemo Book*. Parties signed operating agreement providing that Sprengel would contribute $5,000 to company, while Mohr would contribute services worth same amount. Operating agreement did not reference intellectual property rights or include any written assignment or written license. Relationship between parties deteriorated. Mohr continued to sell Derivative Works, and created additional works based on Derivative Works without Sprengel's knowledge or authorization. Sprengel sued for copyright infringement. Court previously granted partial summary judgment for Sprengel, finding she proved *prima facie* case of infringement as to Derivative Works, but denied summary judgment as to Mohr's affirmative defenses, including defense of implied nonexclusive license. In Ninth Circuit, under *Rano v. Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993), implied non-exclusive license, supported by consideration, for unspecified duration is subject to § 203(a), and is irrevocable until final five years of thirty-five-year default license period. Implied license unsupported by consideration is revocable at will. Additionally, implied nonexclusive license subject to § 203(a) may be revoked by licensor if licensee materially breaches license agreement. Parties did not dispute that Sprengel granted Purposeful Press implied license to use aspects of *Kaye's Chemo Book* in Derivative Works, or that Derivative Works complied with license when originally published. Parties disputed scope of license, and whether it was revocable. Court found license authorized Purposeful Press to (1) exploit *Kaye's Chemo Book* by publishing and selling Derivative Works; and (2) develop additional derivative works with Sprengel's approval. While evidence supported finding that license allowed for additional derivative works, court found parties intended those works to be created in same fashion as Derivative Works; i.e., Mohr would handle business aspects, and Sprengel would have final say on creative aspects. Court found that creation of works over Sprengel's objection would exploit *Kaye's Chemo Book* in "unanticipated and likely unappreciated ways." Accordingly, new works beyond Derivative Works, created without Sprengel's approval, were improper. As to revocability, court noted operating agreement failed to address contributions beyond initial contributions. However, company relied on Sprengel continuing to allow book to be exploited, and on Mohr continuing to work beyond $5,000 worth of time. As both Sprengel and Mohr continued to contribute in such respects, court found exchanges of promises amounted to sufficient consideration to render license irrevocable. Court then analyzed whether

Mohr committed material breach of agreement, triggering Sprengel's right to revoke license. Court found that while Mohr may have breached operating agreement, she did not materially breach license. Mohr did not entirely fail to perform her end of bargain with regard to implied license because she rendered managerial services far in excess of $5,000. Accordingly, court ruled in favor of Mohr's affirmative defense of implied nonexclusive license.

ZilYen, Inc. v. Rubber Manufacturing Association, No. 12-0433, 2013 U.S. Dist. LEXIS 47279 (D.D.C. Apr. 2, 2013)

District court granted defendant's motion to dismiss copyright claim. Plaintiff compact disc manufacturer and defendant trade association entered into contract under which plaintiff would design, produce, and deliver to defendant 200,000 CDs, with content supplied by defendant, for distribution among members. Contract provided for payment of 50% of cost of CDs on execution, with balance due on delivery, and included provision that plaintiff could not be held responsible for accuracy of information supplied by defendant, or accuracy of information in material prepared by plaintiff and approved by defendant. Defendant paid plaintiff 50% of estimated cost on execution of contract. On receiving CDs, defendant's employees ran CD software on their computers, which required copy to be made in RAM. On same day, defendant contacted plaintiff alleging that CDs as delivered contained error in link to Adobe Reader X software on CD. Defendant did not pay balance of contract amount. Plaintiff brought suit alleging breach of contract and copyright infringement. Defendant counterclaimed for breach of contract and breach of warranties, and parties filed cross-motions to dismiss. Defendant did not contest validity of copyright or that use of CDs by its employees constituted "copying" of original elements of work within meaning of § 501, but argued that its actions did not constitute infringement because defendant had implied license to inspect and test-run CDs on its computers. Nonexclusive license arises from conduct of parties when (1) licensee requests creation of work; (2) licensor makes particular work and delivers it to licensee who requested it; and (3) licensor intends that licensee-requestor copy and distribute work. Allegations in complaint established that plaintiff granted implied license to defendant to use CDs, and thus, CD software. Parties entered into agreement for plaintiff to "design, produce, and deliver" CDs for defendant. Plaintiff created master CD, which included copyrighted computer program, arranged for production of copies, and arranged for delivery of CDs to defendant and to shipping agent designated by defendant. Plaintiff did not dispute that parties contemplated defendant's distribution of CDs containing plaintiff's work. Accordingly,

court found that plaintiff granted defendant implied license to use and thus necessarily copy CD software.

AVKO Education Research Foundation v. Morrow, No. 11-13381, 2013 U.S. Dist. LEXIS 49463 (E.D. Mich. Apr. 5, 2013)

District court granted summary judgment to defendants. Plaintiffs, creator and publisher of educational materials, alleged that defendants infringed plaintiffs' materials by publishing works without license and by failing to attribute plaintiff as author. Court rejected those arguments, observing that non-exclusive license to reproduce and sell copyrighted material is not transfer of copyright ownership, and is not, therefore, subject to writing requirement of § 204. Thus, non-exclusive license to publish copyrighted material may be granted orally, or may be implied from conduct. Court found statements made by plaintiffs established that non-exclusive license to publish works had been granted to defendants. Court further found that plaintiffs' second claim for infringement — that defendants had failed to properly attribute plaintiffs' works to plaintiffs — even if true, was not grounds for infringement claim. Accordingly, defendants' motion for summary judgment was granted.

IV. FORMALITIES

A. Registration

Latin American Music Co., Inc. v. Media Power Group, Inc., 705 F.3d 34 (1st Cir. 2013)

First Circuit affirmed district court's grant of defendant's summary judgment motion, holding that plaintiffs failed to produce evidence of copyright registrations as required. Plaintiffs music publisher and performance-rights society alleged defendant radio broadcaster infringed plaintiffs' copyrights in twenty-one songs defendant played on air without permission. As to four of those songs, district court held plaintiff failed to show compliance with registration requirement. Plaintiffs appealed, alleging, *inter alia*, that certificates of recordation containing assignments of rights to songs at issue were sufficient evidence of registration. Circuit court disagreed, holding that certificate of recordation does not fulfill registration requirement because it "merely indicates that the document attached was recorded in the Copyright Office on a specific date" and does not indicate that work itself was registered. Accordingly, circuit court affirmed grant of summary judgment.

Kernel Records Oy v. Mosley, 694 F.3d 1294 (11th Cir. 2012)

Eleventh Circuit found district court erred by granting defendant's motion for summary judgment, but affirmed grant of summary judgment based on

different grounds. Plaintiff sued defendant alleging infringement of plaintiff's then-unregistered musical composition, *Acidjazzed Evening*, claiming work first published in "online magazine" outside United States qualified as foreign work exempt from statutory registration requirement. Plaintiff's work was allegedly first published in Australian-based "online magazine." District court, having assumed that all publication "online" results in simultaneous worldwide publication, granted summary judgment to defendant, finding work qualified as United States work subject to registration requirement. Court of appeals found record insufficient to establish geographic scope of online publication necessary to determine if work qualified as foreign work exempt from registration requirement. However, because plaintiff failed to meet its burden of proof that work was foreign work exempt from registration requirement, court affirmed grant of summary judgment for defendant, finding failure to register work prior to filing suit fatal to plaintiff's ability to sue for copyright infringement.

Overseas Direct Import Co. v. Family Dollar Stores, Inc., No. 10-4919, 2013 U.S. Dist. LEXIS 35684 (S.D.N.Y. Mar. 13, 2013)

In action brought by plaintiff vendor against vendor and retail store operator, plaintiff alleged copyright infringement of certain tree designs ("Tree Designs") used on packaging for men's thermal underwear. Defendants moved for partial summary judgment dismissing copyright claims, arguing plaintiff lacked standing because plaintiff was not author of Tree Designs, and held invalid assignment of copyright in designs. Court held plaintiff had standing; record demonstrated that creator of Tree Designs intended to transfer ownership of copyright to plaintiff at time of creation, and later writing memorialized that agreement. As to copyright validity, court held that questions of fact remained that could not be resolved on motion for summary judgment. Defendants had argued that copyright registration for Tree Designs was invalid because form did not contain author's name, and erroneously listed Tree Designs as works made for hire. However, court cited case law establishing that this type of error would not invalidate registrations provided that error was not committed knowingly; since there was no evidence indicating plaintiff knowingly committed errors on copyright registration form, innocent-error rule, which permits corrections of technical defects or accidental omissions of information from forms, applied. Accordingly, defendants' summary judgment motion was denied.

Klauber Brothers v. Russell-Newman, Inc., No. 11-4985, 2013 U.S. Dist. LEXIS 42758 (S.D.N.Y. Mar. 26, 2013)

Plaintiff sued defendant for sale of underwear that incorporated plaintiff's copyrighted lace designs. Defendant moved to dismiss, arguing copyright at issue was not registered with Copyright Office. Plaintiff had registered

several lace designs with Copyright Office, but based infringement claim on unregistered derivative work of registered designs. Owner of derivative work may maintain copyright action against infringer based on infringement of pre-existing work from which derivative work is derived. Court, however, must compare allegedly infringing work with registered, not unregistered, work. Defendant argued that *Well-Made Toy Manufacturing Corp. v. Goffa International Corp.*, 354 F.3d 112 (2d Cir. 2003), stood for proposition that § 411(a) bars claim based on unregistered derivative work. Court disagreed; *Well-Made Toy's* holding turned on fact that allegedly infringing work only copied expressive elements of unregistered derivative work that did not appear in registered work. Here, unregistered work was simply section of larger registered work. Unregistered work therefore contained protectible elements of registered work, which defendant allegedly copied. Under circumstances, defendant's alleged infringement of underlying work, through copying of derivative work, could serve as basis for action based on registration of underlying work.

Lead It Corp. v. Tallapalli, No. 12-3099, 2013 U.S. Dist. LEXIS 12282 (C.D. Ill. Jan. 29, 2013)

Court denied defendant's motion to dismiss for failure to state claim. Plaintiff asserted claim of copyright infringement for infringement of text on its website. Defendant moved to dismiss since, although application was filed, copyright registration had not issued at time of filing of complaint, as required under § 411(a). Upon receiving registration, plaintiff moved successfully to supplement response to defendant's motion. Court denied motion, holding that, although Seventh Circuit had not yet held whether application approach or registration approach was proper, issue need not be decided because plaintiff received certificate of registration "back-dated" to date of filing.

North Jersey Media Group, Inc. v. Sasson, No. 12-3568, 2013 U.S. Dist. LEXIS 1536 (D.N.J. Jan. 4, 2013)

Plaintiff, news reporting company, brought copyright infringement claim against former employee who now operated blog. Defendant allegedly posted entries on his blog that contained works, news story and two photographs, owned by plaintiff. Defendant moved to dismiss, asserting that plaintiff had only applied for, and had not yet received, certificates of registration for works at issue, and thus failed to state *prima facie* claim of infringement. Court found that none of exceptions to § 411(a) registration requirement were present: works were U.S. works; claims did not concern rights of attribution and integrity under § 106A; and plaintiff had not attempted to register works and been refused by Copyright Office. Court acknowledged split over pre-suit registration requirement, with some

courts taking "application approach," in which application for registration is sufficient, and others requiring registration certificate. Court, consistent with other cases in District of New Jersey, adopted "registration approach," under which application for copyright registration is insufficient to state claim of infringement. Court dismissed claims concerning works for which plaintiff had not yet received certificates of registration.

Scentsy, Inc. v. B.R. Chase, LLC, No. 11-249, 2013 U.S. Dist. LEXIS 63412 (D. Idaho Apr. 30, 2013)

Plaintiff, manufacturer of scented wax and wax warmer products, sued defendant, competitor, alleging defendant's products infringed plaintiff's copyrighted warmer designs, registered with Copyright Office as three-dimensional sculptural works. Defendant moved for summary judgment, arguing that because plaintiff's identification materials submitted to Copyright Office did not disclose every element of warmers in which it now claimed copyright, plaintiff could not claim protection for those elements. Court disagreed, noting that copyright protection subsists from moment of creation, not registration, so registration requirement does not limit court's authority to protect plaintiff's copyrights to full extent. Since defendant did not argue that plaintiff's registrations contained errors or inaccuracies, or were obtained with intent to defraud and prejudice, court held that "any omissions in [plaintiff's] identifying materials will not limit the scope of the court's inquiry into whether [defendant] copied [plaintiff's] registered warmers." Accordingly, following evaluation of evidence of copying and substantial similarity of products at issue, court granted summary judgment to plaintiff.

V. INFRINGEMENT

A. Access

L.A. Printex Industries, Inc. v. Aeropostale, Inc., 676 F.3d 841 (9th Cir. 2012)

Ninth Circuit reversed district court's grant of summary judgment to defendants, finding genuine issue of material fact on access. Plaintiff sued defendants for infringement of its copyright in floral design called C30020. District court granted defendants' motion for summary judgment, holding that there was no genuine issue of material fact as to defendants' access to C30020, because "only evidence of widespread dissemination" was declaration stating that plaintiff first sold C30020 in October 2002 and "produced and sold thousands of yards of fabric" bearing C30020 to numerous customers from 2002–08. District court concluded that declaration statements created no more than "bare possibility" that defendants may have had access to C30020, and that "bare possibility" was insufficient to create

genuine issue on access. Ninth Circuit found, however, that declaration statements were not only evidence of widespread dissemination; record also contained sales records showing that plaintiff sold more than 50,000 yards of C30020 through May of 2006, before defendants ordered allegedly infringing items. Court concluded that plaintiff's sale of more than 50,000 yards of C30020 created genuine dispute of material fact as to whether C30020 was widely disseminated. Evidence required to show widespread dissemination will vary from case to case. Here, parties operated in same industry in same Los Angeles area. Dissemination of C30020 occurred over four-year period immediately preceding defendants' alleged infringement. Reasonable jury could find that C30020 was widely disseminated in Los Angeles-area fabric industry, and hence that there was "reasonable possibility" that defendants had opportunity to view and copy plaintiff's design.

Building Graphics, Inc. v. Lennar Corp., 708 F.3d 573 (4th Cir. 2013)

Fourth Circuit affirmed grant summary judgment to defendant since plaintiff lacked sufficient evidence to support *prima facie* case of infringement of several home designs. Plaintiff argued that defendant conducted due diligence in which defendant studied home building market when it entered such market. Defendant's representative testified that he was not aware of whether defendant studied plaintiff's designs during due diligence. Circuit held that district court correctly ruled that evidence of due diligence only established "mere possibility" of access. Moreover, defendant's diligence routinely only included studying new homes that were currently on offer and being built, and only small number of homes based on plaintiff's copyrighted designs were ever built.

Webb v. Stallone, No. 11-7517, 2012 U.S. Dist. LEXIS 182319 (S.D.N.Y. Dec. 26, 2012)

District court granted defendant Sylvester Stallone's motion for summary judgment, finding no reasonable juror could conclude Stallone copied plaintiff Marcus Webb's screenplay for movie *The Expendables*. David Callaham, screenwriter and co-author of *The Expendables*, had blind commitment to write script for Warner Brothers about American mercenaries taking on foreign dictator. Callaham wrote three drafts of script, and sent last draft, entitled *Barrow*, to Warner Brothers. Subsequently, Webb wrote screenplay and short story *The Cordoba Caper*, about American mercenaries taking on Latin American dictator General Garza, and registered copyrights. In 2008, Stallone's agents obtained numerous scripts, including *Barrow*, for Stallone to review for new film. Stallone wrote his own screenplay about group of mercenaries who bring down Latin Ameri-

can dictator General Garza, using *Barrow* as starting point. Stallone denied ever seeing *The Cordoba Caper*. Stallone argued (1) *Barrow* was written before *Cordoba*, showing independent creation; (2) Webb could not show Stallone had access to *Cordoba*; and (3) there are no similarities between works. Court denied first argument, noting independent creation is affirmative defense that requires "strong, convincing and persuasive evidence." Court questioned Stallone's reliance on *Barrow*, as he initially denied using work until he lost mediation between himself and Callaham. Further, even if Stallone's claim was truthful, copying one screenplay did not inoculate him from claim he copied second. Court found for Stallone on second argument, finding Webb's claim that Stallone had access to work weak at best. Webb was not professional screenwriter, and his only evidence of access was that he entered screenplay into well-known competitions. Even though Stallone admitted that *The Expendables* had thousands of contributors, all of whom he could not identify, Webb failed to create genuine issue of fact as to access. Court also denied Webb's claim of "striking similarity" in effort to overcome lack of evidence of access. Standard for striking similarity requires showing similarities between works that would not be expected if works had been independently created. Webb pointed to twenty examples of similarities between works, including name of Latin American dictator character, characteristics of heroine character, and sequences of action scenes. Court, however, found name of dictator was popular Latin name, idea of heroine was common, and action sequences were *scenes a faire*. Accordingly, as Webb could not provide evidence of access, and failed to show striking similarity between works, Webb's claim failed as matter of law.

Martinez v. McGraw, No. 08-738, 2013 U.S. Dist. LEXIS 34621 (M.D. Tenn. Mar. 13, 2013)

District court granted defendants' motion for summary judgment dismissing claim that defendants' song *Everywhere* infringed plaintiff's copyrighted song *Anytime, Anywhere Amanda*. Plaintiff attempted to show access by suggesting that defendant learned of song through series of people who knew one another, but adduced no specific evidence of anyone communicating with anyone else regarding copyrighted work. Court held that access could not be based on mere speculation and conjecture without any probative proof of anyone giving copy of copyrighted work to anyone else. Moreover, court held there was "no competent expert proof" that two works were strikingly similar, so as to raise inference of access and copying.

Whitaker v. Stanwood Imports, No. 10-539, 2013 U.S. Dist. LEXIS 7612 (D. Utah Jan. 17, 2013)

Court granted defendants' motion for summary judgment. Plaintiffs controlled rights to copyrighted work entitled Double Spinner, wind sculpture created by plaintiff Whitaker ("Whitaker Sculpture"). Plaintiffs alleged that defendants' wind sculpture ("Stanwood Windmill") infringed copyright in Whitaker Sculpture. As there was no dispute that plaintiffs owned valid copyright, court focused on element of actual copying. There was no direct evidence of copying. To indirectly prove copying, plaintiff must show access to copyrighted material and probative similarities between copyrighted material and allegedly copied material. Plaintiffs presented three arguments to show that defendants had reasonable opportunity to view or copy Whitaker Sculpture. First, plaintiffs argued that Whitaker Sculpture was widely disseminated, and that such dissemination provided circumstantial evidence of access. Court found, however, that although plaintiffs presented evidence of sales of over 7,000 Whitaker Sculptures, plaintiffs failed to present evidence of wide dissemination of Whitaker Sculptures into areas where defendants might have seen them. Second, plaintiffs argued that defendants' use of name "Double Spinner" provided evidence of access. Court found evidence that defendants copied name "Double Spinner" from third-party product, OSH Model Double Spinner, and further that term "Double Spinner" was clearly descriptive of product. Third, plaintiffs argued that Stanwood Windmill was copy of OSH Model Double Spinner, which was in turn copy of Whitaker Sculpture, and that copy of copy was still actionable. While it was undisputed that defendants copied OSH Model, plaintiffs failed to present evidence that maker of OSH Model had access to or copied Whitaker Sculpture. Therefore, court found that plaintiff failed to provide sufficient evidence of access, and thus failed to survive summary judgment.

B. Copying and Substantial Similarity

DiTocco v. Riordan, 496 Fed. App'x 126 (2d Cir. 2012)

Second Circuit affirmed district court's dismissal of copyright infringement complaint for failure to state claim. Court, reviewing *de novo*, found no substantial similarity, as matter of law, between plaintiff's *Percy Jackson & the Olympians* book series and defendant's books *The Hero Perseus* and *Atlas' Revenge*. Because subject matter contained protectible and unprotectible elements, court applied "more discerning ordinary observer" test, and extracted unprotectible elements, to determine whether protectible elements, standing alone, were substantially similar. Subject matter of plaintiff's and defendant's work necessitated significant reliance on Greek mythology, which is in public domain. Otherwise, there was no substantial

similarity between works, and district court did not err in dismissing complaint.

Muller v. Anderson, No. 11-1694, 2012 U.S. App. LEXIS 23033 (2d Cir. Nov. 8, 2012)

Second Circuit affirmed district court's grant of summary judgment to defendant. Plaintiff screenwriter sued defendant film producer, alleging defendant's film *Alien vs. Predator* infringed copyright in plaintiff's script titled *The Lost Continent*. Following thorough examination of works at issue, district court granted summary judgment for defendant. Second Circuit found district court did not err in granting summary judgment; district court "amply explained why [plaintiff] failed to adduce facts from which a reasonable jury could find actual copying or improper appropriation." Court noted plaintiff "could not prove access, probative similarity, striking similarity, or any element that would support a finding of appropriation." Following reasoning of district court, court affirmed grant of summary judgment to defendant.

L.A. Printex Industries, Inc. v. Aeropostale, Inc., 676 F.3d 841 (9th Cir. 2012)

Ninth Circuit reversed district court's grant of summary judgment to defendants, finding genuine issue of material fact on substantial similarity. Plaintiff sued defendants for infringement of its copyright in floral design called C30020. District court granted defendants' motion for summary judgment, holding that there was no genuine issue of material fact as to substantial similarity between defendants' allegedly infringing design and C30020. District court compared copy of C30020 that plaintiff deposited with Copyright Office to defendants' allegedly infringing shirts and concluded that no reasonable juror could find that two works were substantially similar. District court reasoned that "observable similarities" between designs were "of surface nature only," in that both designs represented small-scale overall floral patterns of approximately same size. District court stressed "critical differences" between designs: (1) flowers, stems, and leaves on C30020 were "far more detailed" than those on defendant' items; (2) on C30020, multiple shades of color were used to give flowers definition and sharper edges, while multiple shades of green were used to give leaves and stems definition and clean lines, while on allegedly infringing design, flowers were of one uniform color, with leaves and stem single shade of green; (3) C30020 contained overall background pattern that was completely lacking on defendants' design; and (4) groupings of flowers, stems, and leaves were "spaced much farther apart" on C30020 than on defendants' design. Ninth Circuit's comparison of designs led, however, to conclusion that reasonable juror could find that two designs

were substantially similar. Court noted that "[t]hough the Second Circuit's 'ordinary observer' and 'more discerning ordinary observer' tests differ somewhat from our two-part extrinsic/intrinsic test for substantial similarity, its reasoning, at least in the context of fabric designs, is persuasive, and it guides our comparison of the designs in this case." Idea of floral pattern depicting bouquets and branches is not protectible, court noted, and C30020 has elements that are not protectible, e.g., combination of open flowers and closed buds in single bouquet or green color of stems and leaves. However, plaintiff's original selection, coordination, and arrangement of such elements was protectible. Because there is wide range of expression for selecting, coordinating, and arranging floral elements in stylized fabric designs, copyright protection is "broad," and work will infringe if "substantially similar" to copyrighted work. Court's own comparison of designs revealed objective similarities in protectible elements. Both patterns featured two types of small bouquets of flowers, one featuring largest flower in profile view, other featuring largest flower in open-face view, and both emerging from three buds. Both patterns also depicted small, three-leaf branches interspersed between two types of bouquets. Shape and number of flower petals and leaves are similar in two designs. Bouquets were arranged at similar angles in both designs, and bouquets and branches coordinated in similar spatial combinations on grid of similar scale and layout. Differences noted by district court did not compel conclusion that no reasonable juror could find that defendants' design was substantially similar to C30020. Rather, differences supported opposite conclusion, that there was genuine dispute of material fact on substantial similarity.

Peters v. West, 692 F.3d 629 (7th Cir. 2012)

Circuit court affirmed district court judgment denying claim of copyright infringement. Plaintiff alleged that defendant, Kanye West, infringed his song *Stronger*. In search for executive producer, plaintiff pursued close friend of West and shared recordings of songs, including *Stronger*, with him. Friend agreed to be plaintiff's executive producer, but project fell through because plaintiff was unable to secure funding. Months after plaintiff and executive producer's meeting, Kanye West released song *Stronger*. In absence of direct evidence of copying, plaintiff must demonstrate that defendant had access to original, and that two works are substantially similar. Fact that executive producer had access to plaintiff's song, and had close relationship with West was sufficient to support inference of West's access to plaintiff's song. Court found, however, that alleged similarities between works did not rise to level of copyright infringement, since similarities were little more than cosmetic. Plaintiff alleged that songs' similar hooks, shared title, derived from Nietzsche's

phrase "what does not kill me makes me stronger," and references to Kate Moss allowed for finding of infringement. Court found, however, that Nietzsche maxim has appeared repeatedly in lyrics throughout past century. Court also found similar rhyme pattern insufficient to support infringement claim because copyright protects actual expression, not method of expression. Finally, court found that both songs' reference to Kate Moss did not constitute substantial similarity, because lyrics were otherwise completely different; referring to models as "shorthand for beauty is, for better or for worse, commonplace in our society"; selection of world-renowned Kate Moss was insufficient to constitute protectible expression.

Harney v. Sony Pictures Television, Inc., 704 F.3d 173 (1st Cir. 2013)

Plaintiff-photographer brought suit against television production company for infringement of plaintiff's now-iconic photograph of father and daughter emerging from Palm Sunday church service. Father featured in plaintiff's photograph was Christian Gerhartsreiter, subsequently revealed to be "professional imposter" who had passed himself off as member of Rockefeller family named "Clark Rockefeller." When Gerhartsreiter abducted daughter during custodial visit, plaintiff's photograph was used in FBI "wanted" poster and distributed to media, as abduction saga unfolded amidst massive media coverage. Thereafter, defendant produced made-for-television film based on Gerhartsreiter's deception, which featured new image, created by defendant, meant to simulate plaintiff's photograph. Circuit court affirmed lower court's grant of summary judgment for defendant, finding no substantial similarity between photographs at issue. Elements of plaintiff's photograph such as daughter's piggyback pose and shot of Church of the Advent were unprotectible "facts." Court held that there was no substantial similarity between photographs' protectible elements, such as framing, brightness, and composition; photographs differed in lighting and coloring, and defendant's photograph, lacking any religious detail (e.g., Palm Sunday symbols), did not recreate plaintiff's original composition of father-daughter, Beacon Hill and Palm Sunday. Although defendant's photograph did copy plaintiff's placement of father and daughter in middle of frame, that was insufficient, without more, to constitute substantial similarity. Finally, court rejected plaintiff's argument that his photograph uniquely expressed "haunting deception of the lie that was Clark Rockefeller's life." Argument sought to improperly enlarge scope of copyright protection by attributing to plaintiff's photograph idea — Gerhartsreiter's deception — that was not discernible from photograph itself. Newfound interest in plaintiff's photograph resulting from subsequent events, i.e., discovery of Gerhartsreiter's deception, did not

transform otherwise unoriginal elements of photograph into protectible subject matter.

Winstead v. Jackson, No. 11-3771, 2013 U.S. App. LEXIS 869 (3d Cir. Jan. 11, 2013)

Third Circuit affirmed dismissal of copyright infringement action against rapper/songwriter Curtis Jackson, a/k/a Fifty Cent. Plaintiff author alleged that defendant's album *Before I Self-Destruct* and companion film of same name had derived their contents from, and infringed copyright in, plaintiff's book. Defendants moved to dismiss complaint because works were not substantially similar as matter of law. District court dismissed complaint. Plaintiff appealed, arguing district court applied wrong standard in dismissing on Rule 12(b)(6) motion. Third Circuit found lower court properly examined works themselves in reaching decision, and accordingly had before it all that was necessary to make required determination concerning substantial similarity. Third Circuit affirmed that there was no actionable copying of plaintiff's work because lay observer would not believe Jackson's album/film copied protectible aspects of plaintiff's book, reasoning (1) although works shared similar themes and setting, story of angry and wronged protagonist who turned to life of violence and crime had long been part of public domain; (2) plaintiff's book and Jackson's works were different "with respect to character, plot, mood, and sequence of events"; and (3) phrases that plaintiff contended were directly copied from his book were either too common in general, or too common with respect to hip hop culture, to enjoy copyright protection. Accordingly, district court properly dismissed complaint.

Miller's Ale House, Inc. v. Boynton Carolina Ale House, LLC, 702 F.3d 1312 (11th Cir. 2012)

Eleventh Circuit affirmed dismissal of plaintiff restaurant chain's claims. Plaintiff brought suit alleging that floor plan of defendant's sports bar infringed copyright in plaintiff's floor plan. District court granted summary judgment to defendant, holding that no reasonable jury could find defendant's floor plan substantially similar to plaintiff's restaurant. Plaintiff appealed. Fourth Circuit, observing that copyright protection for architectural work is thin, noted that in light of limited scope of protection available to architectural works, "modest dissimilarities are more significant that they may be in other types of art works." While floor plans of parties shared certain similarities, those alleged common features were standard for sports bar or restaurant and, as such, were not copyright protectible as architectural work. Further, differences between establishments were dramatic and overwhelming; similarities between floor plans

existed only at broad conceptual level. Accordingly, judgment of district court was affirmed.

Charles W. Ross Builder, Inc. v. Olsen Fine Home Building, LLC, 496 Fed. App'x 314 (4th Cir. 2012)

Plaintiffs filed complaint asserting that defendants' home infringed copyright in plaintiff's model home. Fourth Circuit vacated and remanded, finding that district court did not apply correct test for determining substantial similarity. District court applied "more discerning observer" test, distinguishing between protectible and non-protectible elements and removing non-protectible elements from consideration, and then determining whether remaining elements of works are conceptually similar. Fourth Circuit found that appropriate test for evaluating substantial similarity is test from *Universal Furniture International, Inc. v. Collezione Europa USA, Inc.*, 618 F.3d 417 (4th Cir. 2010), in which court applied extrinsic/intrinsic test in context not analytically distinguishable from present case. Specifically, furniture and architectural works in respective cases incorporated design elements from historical style and contained combination of unoriginal and unprotectible, and original and protectible, elements. Moreover, both architectural works and furniture derive their copyright protection as compilations. Under *Universal Furniture* test, to prove substantial similarity, plaintiff must show that works are (1) "extrinsically similar because they contain substantially similar ideas that are subject to copyright protection," and (2) "intrinsically similar in sense that they express those ideas in a substantially similar manner from the perspective of the intended audience of the work."

Blehm v. Jacobs, 702 F.3d 1193 (10th Cir. 2012)

Tenth Circuit affirmed grant of summary judgment for appellees. Plaintiff, commercial artist and creator of simple stick figure "Penman" characters, contended that defendants' stick figure cartoon character "Jake" infringed copyright in posters that featured Penman character engaged in various activities. Tenth Circuit agreed with district court that works were not substantially similar. Artist's copyright protection extended only to his original expression and not to ideas embodied in that expression. Specifically, plaintiff had no copyright in everyday activities like holding birthday cake, catching Frisbee or skateboarding, or in common anatomical features and natural poses, because they were ideas in public domain. Separating unprotected ideas from protectible expression, court concluded that no reasonable juror could find defendants' "Life is Good" character substantially similar to protected expressive choices artist used for Penman character. Assuming defendants copied, analysis showed that defendants

copied ideas rather than expression. Accordingly, grant of summary judgment was affirmed.

Bollfrass v. Warner Music Group Corp., No. 12 Civ. 6648, 2013 U.S. Dist. LEXIS 49761 (S.D.N.Y. Apr. 1, 2013)

District court granted motion to dismiss copyright infringement claim for failure to state claim. Plaintiff alleged that *Exogenesis: Symphony*, song published by defendant, infringed plaintiff's copyright in his screenplay *Panspermia/ExoGenesis*. Screenplay included characters, dialog, plot development, and stage and camera directions; screenplay did not contain any music. Plaintiff argued that *Exogenesis: Symphony* was substantially similar to *Panspermia/ExoGensis* because two works had similar plots, involving planetary breakdown and use of astronauts and space travel in attempt to spread human life to other planets. *Exogenesis: Symphony* was three-movement song; while it had liner notes that described story told by song, song lyrics were sparse and contained no discernible narrative, and song had no dialog or characters. Court found that any similarity between two works lay in their concepts, abstracted to high degree of generality. Music, separate from lyrics, cannot infringe copyright in written work. Lyrics of *Exogenesis: Symphony* did not express plot; thus, they did not infringe. Also, liner notes described plot that was far too abstract and general to infringe plaintiff's copyright. Thus, plaintiff failed to state claim for copyright infringement.

Klauber Brothers v. Russell-Newman, Inc., No. 11-4985, 2013 U.S. Dist. LEXIS 42758 (S.D.N.Y. Mar. 26, 2013)

District court granted defendant's motion to dismiss, finding fabric designs at issue not substantially similar as matter of law. Plaintiff was designer, manufacturer and seller of knit fabrics. Defendant was retail clothing store that sold women's underwear. Plaintiff sued defendant for sale of women's underwear that incorporated lace designs that allegedly infringed plaintiff's copyrights. Court, applying ordinary observer test, found works not substantially similar. Ordinary observer test asks whether average lay observer would recognize alleged copy as having been appropriated from copyrighted work. Defendant argued court should use "more discerning" test, which in Second Circuit applies to copyrighted works that are not "wholly original," but instead incorporate elements from public domain. "More discerning" test requires court to eliminate unprotectible elements from consideration, and ask whether protectible elements, standing alone, are substantially similar. Defendant argued "more discerning" test was appropriate because works at issue contained unprotected idea of roses and leaves and stems arranged in pattern. Court disagreed, finding flowers in plaintiff's patterns "not simply the [unprotectible] depiction of a

flower as it would appear in nature . . . [but] an artistic rendering that has its own unique qualities." Court analyzed flower designs and found enough differences in individual elements of flowers (i.e., length of plant sprigs, amount of leaves, stylizations) that "total concept and feel" of works was different. No reasonable jury could find that average lay observer would recognize defendant's work as having been appropriated from plaintiff's work. Court considered fabric cases in Second Circuit, and found cases that found infringement all involved presence of similar or identical color scheme. As there was no similar or identical color scheme in works, and designs were different, works were not substantially similar.

Hallford v. Fox Entertainment Group, Inc., No. 12-1806, 2013 U.S. Dist. LEXIS 19625 (S.D.N.Y. Feb. 13, 2013)

District court granted defendants' motion to dismiss complaint for failure to state claim. Plaintiff sued claiming that defendants' television program *Touch* infringed copyright in his screenplay *Prodigy*. To establish claim of copyright infringement, plaintiff must demonstrate that (1) defendant actually copied plaintiff's work; and (2) substantial similarity exists between defendant's work and protectible elements of plaintiff's work. Standard test for substantial similarity is whether ordinary observer would be recognize alleged copy as being appropriated from copyrighted work. Substantial similarity involves many aspects of works, including "total concept and theme, characters, plot, sequence, pace and setting." Court found that plots, sequence, characters, setting and pace of works were not substantially similar. While both works contained theme of interconnectedness, interconnectedness theme is not protectible; themes in two works were similar only in that each addressed non-protectible idea. Finally, court found that total concept and feel of works was not similar.

Mena v. Fox Entertainment Group, No. 11-5501, 2012 U.S. Dist. LEXIS 143964 (S.D.N.Y. Sept. 27, 2012)

Court granted defendants' motion to dismiss. Plaintiff screenwriter sued defendant entities, alleging defendants' hour-long television series *Past Life* infringed plaintiff's copyrighted screenplay *Transience*. Defendants moved to dismiss complaint for failure to state claim. Facts established that plaintiff provided defendants with copy of *Transience* and worked with defendant to revise screenplay prior to defendants' development of *Past Life*. Since parties did not dispute defendants' access to *Transience*, sole issue before court was substantial similarity. Court compared works under both "more discerning observer" test and "total concept and feel" analysis. Applying "more discerning observer" test to individual protectible elements of *Transience*, court found numerous differences between setting, mood, themes, plot points, particular scenes and sequences,

characters and character development of works. Accordingly, "no discerning observer would conclude that *Past Life* had appropriated protected elements from *Transience*." Court also found no substantial similarity under "total concept and feel" analysis, noting court was "unable to pinpoint any sufficiently original aesthetic decisions that appear to have been copied by [defendants]." In conclusion, court found "no reasonable jury, properly instructed, could find that the two works are substantially similar," and dismissed complaint under Rule 12(b)(6).

Effie Film, LLC v. Pomerance, No. 11-7087, 2012 U.S. Dist. LEXIS 179030 (S.D.N.Y. Dec. 18, 2012)

Plaintiff, film production company, shot motion picture to be released in 2013, *Effie*, based on screenplay written by Emma Thompson, which revolved around famous Victorian love triangle. In response to threat of litigation, plaintiff brought suit against defendant, author of two screenplays based on same Victorian love triangle, seeking declaration of noninfringement. Historical drama of parties' works was based on real-life events that occurred in Victorian England, involving two major figures of Victorian art world, John Ruskin and John Everett Millais, and woman named Euphemia ("Effie") Gray, who, at cost of great notoriety, married Millais after annulling marriage to Ruskin on scandalous ground of nonconsummation. In remarkably detailed opinion, court granted plaintiff's motion for judgment on pleadings and held that plaintiff was entitled to declaratory judgment that neither film *Effie* nor screenplay on which it was based infringed either of defendant's works. Under governing precedent set by *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir. 1980), which held that works of historical "fact" and "interpretation" are entitled to narrow scope of copyright protection, court first took judicial notice of nonprotectible historical "facts" (e.g., Ruskin-Gray union led to "unhappy marriage"; Gray and Millais fell in love while Ruskin was away delivering lectures in Scotland; Ruskin-Gray marriage ended when Gray sought and received annulment based on ground of non-consummation). All such historical "facts" were necessarily disregarded in analysis of substantial similarity. Further, court held that aspects of literary works such as basic plot structure and identities of main characters were nonprotectible elements. Court's finding of lack of substantial similarity was based on numerous differences found among protectible elements, namely expression of central scenes, pace and narrative structure, themes, central literary references, and characterization. For example, court held that five most significant fictionalized scenes differed materially in their expression (e.g., setting and dialogue); *Effie* focused on dominant themes of perfection and escape that were channeled through Ovid, whereas dominant themes in defendant's works relied on Shakespearean grammar keyed to

Hamlet and also introduced strong notes of pedophilia and oedipal desire; specific characterizations of characters, including John Ruskin, were markedly different in parties' respective works. Because of these pervasive differences in reference to important scenes, pace, themes, and characterization, court held that differing overall "concept and feel" of works defeated any claim of substantial similarity.

Quirk v. Sony Pictures Entertainment Inc., No. 11-3773, 2013 U.S. Dist. LEXIS 47954 (N.D. Cal. Apr. 2, 2013)

Plaintiff, author of novel entitled *Ultimate Rush*, sued defendants, producer, screenwriter and director of film entitled *Premium Rush*, alleging defendants' unauthorized adaptation of plaintiff's novel infringed plaintiff's copyright. Defendants did not dispute plaintiff's ownership of valid copyright or access to plaintiff's novel, but moved for summary judgment on basis that works were not substantially similar. Preliminarily, court noted that plaintiff based arguments on flawed legal premise that proving defendants "adapted" plaintiff's novel established defendants' liability for infringement. Addressing plaintiff's flawed reasoning, court noted that copyright "protects expression, not ideas," and held that "even assuming defendants used [plaintiff's] novel as a starting point, and 'copied' from it as they worked, the final film does not include substantial similarities to any copyrightable expressions of the novel." Having evaluated plaintiff's 35-page listing of alleged substantial similarities between works, court found works "differ greatly in many large and small details as well as in their overall mood, style, and structure," and noted that plaintiff relied on subjective and often highly unfair characterizations of material in book and movie to create "highly strained purported 'similarities.'" According to court, "[u]pon filtering out all the non-protectable elements and disregarding characterizations not fairly supported by the two works, [plaintiff] simply has not pointed to sufficient commonalities of expression from which a reasonable fact-finder could conclude the movie and the book contain substantially similar protectable expression." Court therefore granted defendants' motion for summary judgment.

Kennedy v. Paramount Pictures Corp., No. 12-372, 2013 U.S. Dist. LEXIS 43882 (S.D. Cal. Mar. 27, 2013)

Court granted defendant's motion to dismiss. Plaintiff alleged that defendant's motion picture *Titanic* infringed her copyright in certain unpublished biographical works. Applying extrinsic test, court found works not substantially similar. Court found that plot and sequence turned on significantly different storylines and events. Plaintiff's work was about Air Force officer forced out of Air Force for whistleblowing, and impact it had on his and his family's life — plot significantly different from that of *Ti-*

tanic. Court also found that settings were different; plaintiff's work was set in North America over thirty-year period during latter half of twentieth century, while *Titanic* was set primarily aboard English passenger ship over few days in 1912. Court also found significant differences between characters; plaintiff's main characters were accomplished and ethical Air Force officer and his wife, while primary characters of *Titanic* were "free-roaming drifter of limited means" and "young socialite from a wealthy background who yearns to escape the confines of her social status." Court also rejected plaintiff's allegations of similarity in dialogue, finding that works did not have "the type of extended similarity of dialogue needed to support a claim of substantial similarity." Plaintiff alleged several similarities between works' scenes. For example, in defendant's work, main character slicked his hair back with saliva, while in plaintiff's work main character combed through his hair with both hands, and another character slicked back his greasy hair. Court found that allegedly similar scenes, at best, were stock scenes with little original expression, and/or *scenes a faire*. Accordingly, *Titanic* was not substantially similar to any protectible elements of plaintiff's work as matter of law.

Hobbs v. John, No. 12-3117, 2012 U.S. Dist. LEXIS 154452 (N.D. Ill. Oct. 29, 2012)

District court granted defendants' motion to dismiss claim that defendants Elton John and Bernie Taupin's song *Nikita* infringed copyright in plaintiff's song *Natasha*. Plaintiff claimed that songs were substantially similar based on shared theme of impossible love between Western man and Communist woman during Cold War; both songs having descriptions of woman's pale eyes; both songs referencing sending of correspondence in mail; both songs repeating and emphasizing concept of events that never happened — word "never" appears twelve times in *Natasha* and eleven times in *Nikita*; in chorus, title names are each repeated four times and then combined with phrases "You'll never know," "you will never know," "to hold you," and "I need you": phrase "to hold you" is repeated three times in plaintiff's song, and four times in defendants' song; each song has one-word, phonetically-similar title consisting of three-syllable Russian name, both beginning with letter "N" and ending with letter "A"; and title name is repeated thirteen times in *Natasha* and fourteen times in *Nikita*. Court held that themes were not protectible under *scenes a faire* doctrine because they were rudimentary, commonplace and standard. Regarding various similar lyrics, court held they were too generic to constitute original protectible expression. Moreover, short phrases are not subject to copyright protection.

Hearthware, Inc. v. Mishan & Sons, Inc., No. 11-5233, 2012 U.S. Dist. LEXIS 113932 (N.D. Ill. Aug. 10, 2012)

Plaintiff sued competitor claiming infringement of copyright in television infomercials for halogen ovens. Alleged similarities included (1) suggestions to use ovens in RV, dorm or boat; (2) knocking frozen food against hard surface to show that it is frozen; (3) demonstrations using some of same foods, e.g., salmon and asparagus, being cooked simultaneously; (4) time-lapse images to show food cooking; (5) mentioning that ovens broil, roast, grill, bake, barbecue, steam, dehydrate and air fry; and (6) use of similar words to describe features of blenders that came with ovens. Additionally, plaintiff's infomercial touted "tri-cooking technology," while defendant's touted "triple-combo cooking power." Defendant argued that similarities were *scenes a faire*. Court agreed, finding evidence showed that alleged similarities were "indispensable or at least standard" in halogen oven infomercials, and were stock scenes that were entitled to protection only in particular forms in which they are expressed. Court held that "short, purely descriptive phrases concerning a product's abilities do not receive protection." Plaintiff introduced email from defendant to its infomercial producer which stated that defendant's commercial "would be better if there were things more substantive like [plaintiff's commercial]" with respect to freebies offered in infomercial, and that freebies should appear in tease, as they did in plaintiff's commercial. Court held that reasonable jury could not find that email was evidence of direct copying, and even if it were, copied elements were not protectible. Accordingly, court granted defendant's motion for summary judgment on plaintiff's copyright claim.

Rucker v. Harlequin Enterprises, Ltd., No. 12-1135, 2013 U.S. Dist. LEXIS 26299 (S.D. Tex. Feb. 26, 2013)

Plaintiff author sued defendant, leading publisher of romance novels, for infringement of plaintiff's novel *How to Love a Billionaire*, featuring romance between green-eyed, red-haired beauty and tall, dark handsome wealthy man. Plaintiff alleged that defendant's novel *The Proud Wife* featured similar characters and contained "over forty instances of direct copyright infringement." Plaintiff further alleged that defendant obtained access to plaintiff's novel when plaintiff entered it into romance novel competition for which Harlequin editor served as judge. Defendant moved to dismiss complaint. Court did not reach issue of access, because court found no actionable similarity between works. Court opined that, although recitation of generalized and basic plot — in both works, love overcomes trials and tribulations, and beautiful wealthy couple endures miscarriage, separates, reunites, rediscovers love and attraction for each other, recommits, and at end is expecting another child — emphasized

works' similarities, comparing works "leads to the conclusion that the expression of these ideas and the resulting 'feel' of the two works are significantly different." Any similarities between two works were in generic elements — features, plots, characters, and elements found in many romance novels — and thus were themes common to romance novels, or were *scenes a faire*, and not legally protected elements. Court accordingly granted motion to dismiss without leave to amend, noting that amendment would be futile.

LaTele TV C.A. v. Telemundo Communs. Group, LLC, No. 12-22539, 2013 U.S. Dist. LEXIS 43488 (S.D. Fla. Mar. 26, 2013)

District court denied defendants' motion to dismiss copyright infringement action. Plaintiff, Venezuelan television network, sued defendant, producer of Spanish-language programming, alleging that defendants' *El Rostro* telenovela, written by one of same authors as plaintiff's telenovela *Maria Maria*, were so similar, sharing core plot, exposition, conflict, climax and closure, as to infringe plaintiff's copyright. Court rejected defendants' argument that complaint failed to identify specific original work that was subject of infringement claim, holding that plaintiff had adequately identified work as 198 episodes of *Maria Maria* telenovela. Nor was complaint deficient for failure to attach all 198 episodes of work and English translations of same, especially where copyright registration for *Maria Maria* plainly identified work. Complaint adequately alleged substantial similarity; plaintiff pointed to website where viewers of both telenovelas had observed similarities, and where level of parallel between details of works was high: main characters were alleged to be virtually same, plot for each work was alleged to be essentially identical, common events in works happened in precisely same order. Court observed that while plot contained "certain ideas that may be considered standard in telenovelas — a fiery car crash, plastic surgery, mistaken identity, amnesia, and infidelity — the level and number of similarities in details, and particularly in the sequence of events, as set forth in both works, removes the similarities from realm of ideas and propels them into the arena of expression of ideas." Court also held that plaintiff had pleaded sufficient factual allegations to support contributory and vicarious infringement claims. Accordingly, motion to dismiss complaint was denied.

Harter v. Disney Enterprises, 104 U.S.P.Q.2d 1547 (E.D. Mo. 2012)

District court granted defendant's motion for summary judgment. Plaintiffs wrote Christmas story called *Santa Paws: The Story of Santa's Dog*, which their agents showed to various entities, including defendant. More than 10 years later, defendant distributed two videos: *Santa Buddies: The Legend of Santa Paws* and *The Search for Santa Paws*, which plaintiffs

alleged infringed their work. Since plaintiffs did not present direct evidence of copying, plaintiffs had to establish that defendant had access to plaintiffs' work and that there was substantial similarity between ideas and expression in allegedly infringing work and copyrighted work. Since defendant conceded access, court focused on substantial similarity. Court determined substantial similarity through two-step test: (1) court assesses similarity of ideas extrinsically by focusing on objective similarities in work; and (2) if there is similarity in ideas, court evaluates similarity of expression using intrinsic test depending on response of reasonable person to specific forms of expression. While court found that there were some general similarities between works (e.g., plots of both stories involved threat to Christmas holiday or spirit, which is saved by talking dog; dogs named "Paws," "Santa Paws," or "Puppy Paws"; other similar characters such as talking dogs and elves; antagonist who is trying to ruin Christmas or cause some other trouble; plaintiffs' magical icicle and defendant's magical ice crystal; and that both works featured Christmas tree), court found that works did not have substantially similar ideas, and that most similarities between works were not protected because they involved nothing more than "general plot idea."

Marenem, Inc. v. Jump, No. 12-212, 2013 U.S. Dist. LEXIS 55426 (M.D. Ga. Apr. 18, 2013)

District court denied defendant's motion for summary judgment that works were not substantially similar as matter of law. Plaintiff, who created phonics education program called *Secret Stories – Cracking the Reading Code*, brought claim for copyright infringement against defendant, who created educational material called *Spelling Chunks*, also intended to teach phonics to children, on basis that text and illustrations in defendant's work were substantially similar to text and illustrations in plaintiff's work. Court stated "substantial similarity exists where an average lay observer would recognize the alleged copy as having been appropriated from the copyrighted work." Out of thirty-one phonetics lessons in both works, twenty-six were for same letters or letter combinations, and sixteen lessons depicted some similarity in text and/or illustrations. Since similarities in works were substantial from perspective of lay observer, court could not find as matter of law that reasonable jury could not deem works to be substantially similar.

C. Contributory/Vicarious Infringement

Luvdarts, LLC v. AT&T Mobility, LLC, 710 F.3d 1068 (9th Cir. 2013)

Ninth Circuit affirmed district court's dismissal of plaintiff's case for failure to state claim. Plaintiff publishers sued defendant mobile wireless carriers, alleging vicarious and contributory infringement. Plaintiffs were in business of selling commercial multimedia-messaging content designed to be transmitted over multimedia messaging service ("MMS") networks to and from mobile devices. Defendants owned MMS networks. Plaintiffs alleged that defendants were liable, under either vicarious or contributory liability theory, for infringement committed by third parties over defendants' networks. Appellate court determined that vicarious infringement claim failed because plaintiff publishers did not adequately allege that defendants had necessary right and ability to supervise infringing conduct, since, *inter alia*, complaint stated only that defendants should establish metadata system of digital rights management, without explaining how defendants could plausibly implement system at low enough cost to justify imposition of vicarious liability. Contributory infringement claim failed because plaintiffs did not allege adequately that defendants had necessary specific knowledge of infringement.

Blank Productions v. Warner/Chappell Music, Inc., No. 11-7927, 2013 U.S. Dist. LEXIS 1202 (S.D.N.Y. Jan. 3, 2013)

Court denied plaintiffs' partial motion to dismiss counterclaims for contributory and vicarious infringement. Plaintiffs brought action seeking declaratory judgment that their use of various musical works to create karaoke recordings did not violate defendants' copyright in those works, under theory that license agreement between defendants and non-party purchaser of plaintiff's recordings included authorization for third parties to use defendant's musical works. To state claim for contributory infringement, plaintiff must allege that party, with knowledge of infringing activity, "induce[d], cause[d], or materially contribute[d] to the infringing conduct of another." Court found that facts alleged constituted adequate claim that plaintiffs committed contributory infringement. Specifically, plaintiffs used musical works, in some of which defendants held copyrights, as source material for creating karaoke recordings. By distributing, marketing and selling recordings, plaintiffs provided third parties with opportunity to commit direct infringement and knew that such infringement occurred. Party infringes vicariously "by profiting from direct infringement while declining to exercise a right to stop or limit it"; knowledge is not required. Court found that defendant pled sufficient facts to support claim for vicarious infringement. Plaintiffs had right and ability to control

third party's infringing conduct because plaintiffs created karaoke recordings using copyrighted works without licenses, and sold recordings to other users. Plaintiffs also had full control of contents of their recording catalogs and sale of recording with infringing recordings to third parties, and plaintiffs profited from infringement by third parties.

Coach, Inc. v. Swap Shop Inc., No. 12-60400, 2012 U.S. Dist. LEXIS 184417 (S.D. Fla. Sept. 21, 2012)

Plaintiff, luxury handbag and leather goods manufacturer, sued defendants, property owners, lessors, lessees, and operators of flea market in Florida, for copyright infringement arising from sale of counterfeit Coach products by vendors at defendants' flea market. Defendants moved to dismiss plaintiff's claims pursuant to Rule 12(b)(6). Preliminarily, court drew distinction between defendant property owners, who merely lease property, and defendant lessees and flea market operators. Former could not be held contributorily or vicariously liable for infringement because property ownership alone does not establish requisite right of control over sale of infringing products sold on property. Accordingly, court granted motion to dismiss as to defendant property owners and lessors. Court found that remaining defendants, lessees and operators of flea market, could be held contributorily and vicariously liable for infringement, because these defendants provided means for vendors to engage in sale of infringing products, including leasing of space to vendors for booths and storage containers. Since plaintiff alleged sufficient facts establishing such defendants' knowledge of infringing activities by vendors; that defendants had right and ability to supervise premises; and that defendants obtained direct financial benefit from infringing activity, court denied motion to dismiss claims against defendant lessees and flea market operators.

Broadcast Music, Inc. v. Nolan Enterprises, No. 11-705, 2013 U.S. Dist. LEXIS 4918 (S.D. Ohio Jan. 11, 2013)

Plaintiff performing rights organization sued defendant strip club operator for infringement arising from public performance of four copyrighted musical compositions at defendant's club without license or permission. Following discovery, plaintiff moved for summary judgment. Defendant did not contest plaintiff's ownership of copyright in works, or its infringement of works at issue; defendant argued only that infringement was not willful. Court found defendant's self-serving affidavit, stating it did not willfully disregard or infringe plaintiff's copyrights, insufficient to establish genuine issue of material fact. Court found defendant corporation liable for infringement regardless of whether it had knowledge of music played at club. Court noted defendant operated club, and therefore had direct financial interest in and right and ability to direct and control activities of

club. Court also found defendant's sole owner and corporate officer vicariously liable, since officer had direct financial interest in and ability to control and direct activities, as well as ability to supervise employees, at club. Court enjoined defendants from further unauthorized performances of plaintiff's compositions, noting plaintiff had established past infringement by defendants and persistent disregard of plaintiff's offers to license works to defendants. Court, noting plaintiff had established defendants' willfulness, awarded plaintiff statutory damages in amount of $20,000, and attorneys' fees in amount of $15,370.91.

Robert Kubicek Architects & Associates v. Bosley, No. 11-2112, 2012 U.S. Dist. LEXIS 178236 (D. Ariz. Dec. 14, 2012)

District court granted in part and denied in part defendants' motion for summary judgment. Plaintiff ("RKAA") was architectural firm; individual defendant Bosley was architect, former president and member of board of directors of RKAA. For ten years at RKAA, Bosley was principally responsible for managing work of client Bashas', Inc. Bosley resigned from RKAA, and started new firm, The Bosley Group Inc. ("TBG"). Bashas' hired TBG instead of RKAA for new work. RKAA sued Bosley, TBG and Bashas' for direct, contributory and vicarious infringement, alleging that when Bosley left firm, TBG acquired copies of RKAA's copyrighted architectural drawings related to Bashas' projects, and later unlawfully copied drawings for work on Bashas' projects. Defendants argued that plaintiff's claim of direct infringement against Bosley failed because RKAA did not point to any evidence showing Bosley copied or made use of copyrighted materials at issue. Court agreed, finding RKAA failed to point to any evidence that Bosley either personally copied or obtained relevant protected materials after he resigned from RKAA, or that he authored or contributed to TBG drawings and plans that purportedly infringed such materials. While Bosley emailed himself documents from RKAA, none of documents were related to registrations at issue. Court therefore found that contributory infringement claim against TBG also failed, as it was based on claim of direct infringement by Bosley. Court found, however, that RKAA presented sufficient evidence that TBG engaged in direct infringement, and that Bosley contributed to infringement. Court reasoned that Bosley had years of experience in overseeing work done by RKAA for Bashas', and thus would likely have recognized misappropriation of RKAA work in TBG work he reviewed. Finally, defendants argued RKAA's claim against Bosley for vicarious liability failed because he had no direct financial interest in any of TBG's employees' committing infringement. Court disagreed, finding that Bosley as owner and founder of TBG had direct financial interest in TBG securing and retaining Bashas' as client. As TBG's alleged use of copyrighted

materials was directly related to work it performed on behalf of Bashas', Bosley's financial interest in exploiting materials was obvious and direct. Court therefore denied defendants' motion for summary judgment on RKAA's claim of vicarious infringement against Bosley.

D. Miscellaneous

Coach, Inc. v. Horizon Trading USA Inc., No. 11-3535, 2012 U.S. Dist. LEXIS 160528 (S.D.N.Y. Nov. 7, 2012)

District court granted plaintiffs' motion for summary judgment on claim of copyright infringement. Plaintiffs served defendants with Requests for Admissions under Fed. R. Civ. P. 36(a)(1), requesting that defendants admit that they had access to and copied elements of plaintiffs' copyrighted "Signature C" design, and that design elements on defendants' products were substantially similar to plaintiffs' copyrighted works. Defendants failed to respond to Request for Admissions within thirty days after being served, and thus each proper request was deemed admitted under Fed. R. Civ. P. 36(a)(3). Defendants argued that they did not receive requests, but court rejected argument based on plaintiffs' proof of service as well as New York law, which establishes "that mailing a letter creates a presumption that the addressee received it," and granted plaintiffs' motion for summary judgment on copyright infringement.

Daggs v. Bass, No. 11-30070, 2012 U.S. Dist. LEXIS 165612 (D. Mass. Nov. 20, 2012)

Plaintiff brought claim for copyright infringement and "[a]lthough she does not refer to it as such, . . . claim under 17 U.S.C. § 1101, known as the 'Anti-Bootlegging Statute,'" on basis that defendants recorded her live musical performances and broadcast them on Comcast public-access television. District court granted defendant Comcast's motion for summary judgment on basis that it was shielded from liability under Cable Communications Act of 1984 ("Cable Act") and because it had blanket license agreement with ASCAP to broadcast plaintiff's performances. Under Cable Act, cable operators must set aside channels for independent commercial, public, educational or governmental programs, and cannot edit programs carried on these channels. Because cable operators cannot edit such programs, they are shielded from civil liability in connection with programs. Since Comcast was cable operator and programming at issue was within scope of Cable Act, court found that Comcast was immune from civil suit involving such programming. Moreover, since Comcast had blanket license agreement with ASCAP providing that Comcast could broadcast any music in ASCAP's repertory, including plaintiff's, Comcast

had valid public performance license, and could not be held liable for copyright infringement.

Martinez v. McGraw, No. 08-738, 2013 U.S. Dist. LEXIS 16621 (M.D. Tenn. Feb. 7, 2013)

District court granted defendant's motion to exclude expert reports and testimony of purported expert. Plaintiff alleged that defendant country music star Tim McGraw's song infringed plaintiff's copyrighted song. Under *Daubert*, scientific testimony or evidence must be reliable. Purported expert offered opinion regarding access and substantial similarity. Court held purported expert's access opinion was nothing more than statement regarding numerous hearsay statements of third parties, and thus was merely speculative. Court granted defendant's motion to exclude opinion as to substantial similarity, since purported expert's CV was inaccurate and misleading as to his knowledge of music, and he had little knowledge regarding music theory.

Denenberg v. LED Technogies, LLC, No. 11-03155, 2012 U.S. Dist. LEXIS 140513 (D. Colo. Sept. 28, 2012)

Court granted in part and denied in part defendant's motion for partial summary judgment. Plaintiff plastic surgeon took patient "before and after" photos for use on website, and registered website content with Copyright Office. Defendant sold lamp advertised to provide anti-aging benefits. Defendant hired marketing company to create infomercial, and marketing company acquired plaintiff's photographs, which did not contain copyright notice or other notice of origin, and used them in infomercial. Plaintiff sued, and moved for summary judgment of willful infringement. Defendant moved for partial summary judgment that any infringement committed was not willful, but rather innocent. Court found plaintiff offered no evidence that defendant knew that pictures "were copyrighted." Defendants' affidavits declared that defendant had no knowledge that using photographs violated copyright law. Pictures did not contain copyright notice, watermark, or other notice of origin or copyright. Court held that plaintiff had not shown genuine issue of material fact that defendant acted willfully. Defendant argued it was innocent infringer because it paid marketing company to create infomercial, and billing included line item charge of $350 for "library stock." Defendant contended it was therefore reasonable to assume that marketing company had acquired license for photographs. Defendant also submitted affidavits from its co-founders stating that company had policy of not using copyrighted works without authorization, and routinely purchased licenses to use works in advertising materials. However, plaintiff offered evidence that some of infringing photographs were not used in infomercial prepared

by marketing company, and argued that even if they were, this did not give defendant reason to believe photographs could be used in additional advertising materials. Because there was fact dispute about where defendant acquired photographs and how they were used, summary judgment was not appropriate as to innocent infringement. Accordingly, defendant's motion was granted as to willful infringement and denied as to innocent infringement.

VI. DEFENSES/EXEMPTIONS

A. Fair Use

Cariou v. Prince, 714 F.3d 694 (2d Cir. 2013)

Plaintiff brought suit for infringement against defendant, well-known "appropriation artist" who took photographs produced by others and incorporated them into new paintings and collages of his own. Defendant had appropriated several of plaintiff's classical portraits and landscape photographs, taken by plaintiff while living among Rastafarians in Jamaica; altered them by various means (e.g., painted "lozenges" over subjects' facial features); and thereafter incorporated images into series of paintings and collages exhibited in New York and reproduced in exhibition catalog. District court granted summary judgment in plaintiff's favor, rejecting defendant's fair use defense. Second Circuit reversed, holding that all but five of defendant's thirty allegedly infringing artworks were protected under fair use doctrine. Court's holding was based primarily on its finding that defendant's use of plaintiff's photographs was "transformative" in nature. First, court held that, contrary to district court, fair use doctrine does not require that defendant's work "comment on" original work or author to be considered transformative; it merely needs to alter original work with "new expression, meaning, or message." Court held that twenty-five of defendant's artworks would be perceived by "reasonable observer" to have "added something new" by "present[ing] images with a fundamentally different aesthetic" from plaintiff's photographs — including identifiable differences in composition, presentation, scale, color palette, and media — such that they were transformative as matter of law. Further, court held that defendant's use of protected photographs had no effect on potential market for plaintiff's artworks, since plaintiff and defendant had different target audiences. While defendant's works sold in range of millions of dollars and drew attention of wealthy celebrities, plaintiff had neither actively marketed his images nor sold them for significant sums. Finally, while facts that defendant's works were commercial in character, plaintiff's works were creative and published, and defendant had used "key portions" of plaintiff's images, all weighed against finding of fair use,

court held that those factors were outweighed by overall "transformative purpose" of defendant's works, sufficient to find fair use.

SOFA Entertainment, Inc. v. Dodger Productions, 709 F.3d 1273 (9th Cir. 2013)

Plaintiff copyright owner sued defendant musical theatre producer for copyright infringement based on use of seven-second clip from *The Ed Sullivan Show* in live performances of musical *Jersey Boys*, biographical account of lives and career of The Four Seasons. On cross-motions for summary judgment, district court granted summary judgment to defendant on fair use defense, and awarded defendant $155,000.00 in attorneys' fees. Plaintiff appealed. Ninth Circuit noted that clip was used in context of show to demonstrate band's enduring prominence in American music. By using clip as "biographical anchor," defendant had "put the clip to its own transformative ends," and because use of clip was transformative, fact that musical was commercial production was of little significance. Clip was not qualitatively significant segment of overall television show episode; "[w]hile the entire episode of *The Ed Sullivan Show* or individual performances may be near to the core of copyright, the clip [by itself, conveyed] mainly factual information — who was about to perform." Show host Ed Sullivan's gesticulation and style were not copyrightable. Producer's use of clip advanced its own original creation without any reasonable threat to copyright owner's business model. Ninth Circuit affirmed lower court's judgment.

Monge v. Maya Magazines, 688 F.3d 1164 (9th Cir. 2012)

Ninth Circuit reversed district court's grant of summary judgment to defendant, finding defendant had not met burden of establishing that its unauthorized publication of plaintiff's previously unpublished celebrity wedding photographs constituted fair use. Plaintiffs, Latin American celebrities, sued defendant, publisher of Latin American gossip magazine, for infringement based on defendant's unauthorized publication of stolen photographs of plaintiff's clandestine wedding ceremony in Las Vegas. Defendant claimed publication of photographs was fair use, and district court granted summary judgment to defendant, finding balance of fair use factors weighed in favor of defendant. On appeal, court found district court erred in balancing of "amount and substantiality" and "market harm" fair use factors. While district court found defendant's publication of only six out of over 400 stolen photographs supported fair use, Ninth Circuit found "amount and substantiality" factor "weighs decisively against fair use," because "defendant copied 100 percent of the copyrighted photos as issue . . . far more than was necessary to corroborate its story." Additionally, while district court found no potential market harm

based on plaintiffs' then-present intent not to publish photographs at issue, Ninth Circuit disagreed, noting that "the potential market for the photos exists independent of the [defendant's] present intent." According to court, defendant's "unauthorized 'first and exclusive' publication of the images substantially harmed the potential market because the publication directly competed with, and completely usurped, the [plaintiffs'] potential market for first publication of the photos." Having rebalanced fair use factors, court reversed grant of summary judgment for defendants.

Balsley v. LFP, Inc., 691 F.3d 747 (6th Cir. 2012)

Sixth Circuit affirmed district court's denial of defendant's motion for judgment as matter of law. While on vacation in Florida, Ohio news anchor entered "wet t-shirt" contest at bar, and ultimately danced nude. Without plaintiff's knowledge, amateur photographer took several photographs of plaintiff in various states of undress. Photographer posted photographs on website. Plaintiff, who eventually lost her news anchor position because of photographs, acquired ownership of photographs from photographer, and registered copyright in photographs. *Hustler* Magazine published one of photographs in monthly column called "Hot News Babes," which featured contest inviting readers to nominate young, attractive female news reporters to be featured in column. Photograph was submitted by reader. Plaintiff sued publisher, who asserted fair use defense. As to first fair use factor, court held that use was clearly for commercial purpose, finding that column in which photograph appeared was designed to generate interest, sales and profits as it encouraged reader involvement and promoted illicit pictures of women in public eye. Court rejected defendant's argument that column was noncommercial, informative commentary on plaintiff, given contest aspect of column, nature and description of photograph appearing in column, and fact that incident depicted in photograph was three years old, and not newsworthy. Court also concluded that use was not transformative because photograph was unaltered except for minor cropping, merely reprinted in different medium, was essentially market replacement, and did not add creative message or meaning to photograph. Court further noted that defendant's purpose for using photograph was same as photographer's, to "shock, arouse and amuse." As to second factor, defendants argued that photograph was factual and not creative work because photographer neither directed plaintiff nor created background for images. Whether photographs are factual or creative was issue of first impression for Sixth Circuit; court thus looked to sister circuits to conclude that photographs have varying degrees of creativity, and that photograph at issue had both factual and creative elements. Court concluded that reasonable jury could find that second factor weighed slightly in plaintiff's favor or was neutral. Defendant argued that

third factor weighed in its favor because it only used one of plaintiff's photographs. Court disagreed, concluding plaintiff used essentially all of photograph at issue, and such wholesale copying militates against finding of fair use. Court, citing *Sony Corp. of American v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), found that fourth factor weighs in plaintiff's favor if she can "show that the purpose or character of the use was commercial," because "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." To rebut presumption, defendant argued that because plaintiff had no present intention to use photograph, there was no harm to potential market. Court rejected this argument, concluding that plaintiff's intention was immaterial; that there was sufficient evidence of vast market for photograph; and defendant's use of photograph competed for share of that market. Accordingly, court affirmed district court's denial of defendant's motion for judgment as matter of law.

Capitol Records, LLC v. ReDigi, Inc., No. 12-95, 2013 U.S. Dist. LEXIS 48043 (S.D.N.Y. Mar. 30, 2013)

Court denied fair use defense. Defendant ReDigi marketed self as "world's first and only online marketplace for digital used music." To sell music on ReDigi site, user would download "Media Manager" to computer. Media Manager would analyze user's computer to build list of digital music files eligible for sale. File was eligible only if purchased on iTunes or from another ReDigi user; music downloaded from CD or other file-sharing website was ineligible. After validation process, Media Manager continually ran on user's computer and attached devices to ensure that user had not retained music sold or uploaded for sale. However, Media Manager could not detect copies stored in other locations. Central issue was upload process. ReDigi asserted that process involved "data migration" packet by packet, "analogous to train." Court found that, semantics aside, at end of process there was digital music file on ReDigi's server and not on user's computer, so reproduction had occurred; under laws of physics it was simply impossible that same material object could be transferred over Internet. First sale defense is, by its own terms, limited to distribution right, so first sale did not immunize ReDigi's violation of plaintiff's reproduction right. Nor did first sale doctrine protect ReDigi's distribution of plaintiff's recordings, because digital music file sold on ReDigi was not "lawfully made under this title," but was new phonorecord unlawfully fixed by user on ReDigi server. Court had "little difficulty" concluding that ReDigi's reproduction and distribution of plaintiff's copyrighted works fell "well outside" fair use defense. Plaintiff did not contest "oblique" claim that uploading to and downloading from ReDigi Cloud server for storage and personal use were fair use. Plaintiff asserted, and

court agreed, that uploading to and downloading from ReDigi server incident to sale fell outside ambit of fair use. Use was "plainly" not transformative; upload, sale, and download of digital music files on ReDigi's website did not add something new, with further purpose or different character, to copyrighted works. Use was also "undoubtedly commercial"; ReDigi and uploading user directly profited from sale of digital music file, and downloading user saved significantly on price of song in primary market. Court found unavailing ReDigi's assertion that downloads for personal, and not public or commercial, use must be characterized as noncommercial, nonprofit activity. When user downloads purchased files from ReDigi server, resultant reproduction is essential component of ReDigi's commercial enterprise. Second factor also weighed against fair use, as creative works like sound recordings are close to core of intended copyright protection and far removed from factual or descriptive work more amenable to fair use. Third factor suggested similar outcome, because ReDigi transmitted works in their entirety, negating any claim of fair use. Finally, ReDigi's sales were likely to undercut market for or value of copyrighted work; accordingly, fourth factor cut against finding of fair use. Product sold in ReDigi's secondary market was indistinguishable from that sold in legitimate primary market save for lower price; clear inference is that ReDigi would divert buyers away from that primary market. ReDigi "incredibly" argued that plaintiff was preempted from making market-based argument because plaintiff itself condones downloading of its works on iTunes. Plaintiff, as copyright owner, does not forfeit its right to claim copyright infringement merely because it permits certain uses of its works. In sum, ReDigi facilitated and profited from sale of copyrighted commercial recordings, transferred in their entirety, with likely detrimental impact on primary market for these goods. Accordingly, fair use defense did not permit ReDigi users to upload and download files to and from Cloud Locker incident to sale. Court granted plaintiff's motion for summary judgment on claims of direct, contributory and vicarious infringement of distribution and reproduction rights.

Associated Press v. Meltwater U.S. Holdings, Inc., No. 12-1087, 2013 U.S. Dist. LEXIS 39573 (S.D.N.Y. Mar. 21, 2013)

Court granted AP summary judgment on direct infringement claim against "Meltwater News" Internet news clipping service. Defendant used Internet crawlers to search for, scrape and index material including AP's copyrighted news articles. Customers received daily email messages labeled "News Reports," containing excerpts from online articles that mentioned keywords customer entered into Meltwater news platform. Meltwater contended that its use of articles was fair because Meltwater News functioned as Internet search engine, providing limited amounts of

copyrighted material to subscribers in response to their queries, thereby pointing subscribers to source of information online. On first factor, court found neither purpose nor use of Meltwater News, nor its excerpts from articles, was transformative. Meltwater copied AP content in order to make money directly from undiluted use of copyrighted material. Taking of copyrighted material was not more defensible because related to preamble purposes of news reporting and research; news reporting and research was done by AP, not Meltwater. Public interest weighed against Meltwater, insofar as permitting Meltwater to take fruit of AP's labor for its own profit, without compensating AP, injured AP's ability to perform essential function of democracy. "In short, use of an algorithm to crawl over and scrape content from the Internet is surely not enough to qualify as a search engine engaged in transformative work." On second factor, court found that AP's articles were news stories, and therefore more amenable to fair use than works of fiction, and moreover were already published. On third factor, Meltwater had not shown that its taking from articles was defensible from either quantitative or qualitative perspective. Meltwater took between 4.5% and 61% of articles, and automatically took lede, "meant to convey the heart of the story," from every AP story. Fourth factor weighed strongly against Meltwater. By refusing to pay licensing fee, Meltwater not only deprived AP of licensing fee in established market for AP's work, but also cheapened value of AP's work by competing with companies that did pay licensing fee to use AP content in same way that Meltwater did. Meltwater, court found, was "a classic news clipping service. This is not a transformative use."

Authors Guild, Inc. v. Hathitrust, 902 F. Supp. 2d 445 (S.D.N.Y. 2012)

Court granted defendants' motion for summary judgment that digitization of books was fair use. Defendants entered into agreements with Google, Inc. that allowed Google to create digital copies of works in defendant Universities' libraries, in exchange for which Google provided digital copies to defendants. After digitization, Google retained copy of digital book that it made available through Google Books, online system through which Google users can search content and view "snippets" of books. Google also provided digital copy of each scanned work, including scanned image files of pages and text file, to Universities. After Google provided Universities with digital copies, Universities "contributed" digital copies to HathiTrust Digital Library ("HDL"). Defendants used works within HDL for (1) full-text searches; (2) preservation; and (3) access for people with certified print disabilities. Defendants asserted that academic participation by print-disabled students had been revolutionized by HDL. Plaintiffs sought declaration that systematic digitization of copyrighted

materials without authorization violated §§ 106 and 108 of Copyright Act. Defendants moved for summary judgment that use of works within HDL was fair use as matter of law. On first factor, court noted that Second Circuit had concluded that where purpose of use is for scholarship and research — uses explicitly mentioned in preamble to Section 107 — first factor tilts in defendants' favor. Court found use to which works in HDL were put transformative because copies served entirely different purpose than original works: superior search capabilities, rather than actual access to copyrighted material. Court noted that search capabilities of HDL had already given rise to new methods of academic inquiry such as text mining. Use of digital copies to facilitate access for print-disabled persons was also transformative, court found. Provision of access for print-disabled individuals was not intended use of original work, and this use was transformative. On second factor, court found that where use is transformative, nature of copyrighted works is of limited usefulness. Because use to facilitate key-word searches or access for print-disabled individuals was transformative, creative nature of majority of plaintiffs' works under second factor was not dispositive. Question under third fair-use factor, court stated, is whether "no more was taken than necessary"; sometimes it is necessary to copy entire works. Here, entire copies were necessary to fulfill defendants' purposes of facilitating searches and access for print-disabled individuals. On fourth factor, court held that where, as here, use is noncommercial, plaintiff must show by preponderance of evidence that some meaningful likelihood of future harm exists — "test Plaintiffs fail at least on this fact pattern." Court rejected plaintiffs' argument that each digital copy of book that defendants created rather than purchased through lawful channels represented lost sale. Argument, court stated, ignored fact that purchase of additional copy would not have allowed either full-text searches or access for print-disabled individuals, two transformative uses that were central to MDP. Court found plaintiffs' argument that defendants had exposed plaintiffs' property to immense security risks that had potential to cannibalize book market through widespread online piracy was unsupported, and failed to demonstrate meaningful likelihood of future harm. Court found plaintiffs' argument about harm to potential licensing market to be conjecture. Defendants offered "substantial evidence" that it would be prohibitively expensive to develop market to license use of works for search purposes, access for print-disabled individuals, or preservation purposes. Plaintiffs' argument that only 32 print-disabled students had signed up to participate in program only emphasized that print-disabled individuals are tiny minority, court found; development of market to provide them with access on scale of MDP "is consequently almost impossible to fathom." Argument, moreover, overlooked fact that it is "minorities such as this" that Congress sought to pro-

tect through enactments like ADA. Court, while recognizing that facts "may on some levels be without precedent," was "convinced that they fall safely within the protection of fair use such that there is no genuine issue of material fact." Court "cannot imagine" definition of fair use that would not encompass uses in question.

Morris v. Guetta, No. 12-684, 2013 U.S. Dist. LEXIS 15556 (C.D. Cal. Feb. 4, 2013)

Plaintiff photographer sued defendant appropriation artist claiming defendant infringed copyright in plaintiff's photograph of Sex Pistols bassist Sid Vicious by copying and modifying photograph to make seven separate pop-art works. Plaintiff moved for summary judgment of infringement based on defendant's admission that he altered plaintiff's photograph to create his works. Defendant cross-moved for summary judgment, contending use of photograph was fair use. Court found plaintiff's inability to produce negative for photograph did not defeat plaintiff's ownership claim, and found defendant's direct admission of copying sufficient to establish infringement. On fair use, court found defendant's use of plaintiff's photograph not sufficiently transformative, as defendant's works remained at core pictures of Sid Vicious making same distinct facial expression as depicted in plaintiff's photograph. Moreover, court found defendant's use of photograph unjustified because evidence did not show defendant created works as commentary on plaintiff's photograph. Accordingly, court denied defendant's motion for summary judgment, finding balance of factors weighed against fair use, and granted plaintiff's motion for summary judgment of infringement.

Northland Family Planning Clinic, Inc. v. Center for Bio-Ethical Reform, 868 F. Supp. 2d 962 (C.D. Cal. 2012)

District court granted defendant's motion for summary judgment on fair use. Copyrighted work was video promoting abortion. Plaintiff, which ran family planning clinics in greater Detroit area, created video titled "Every Day, Good Women Choose Abortion" with professed intent to de-stigmatize abortion; message of video "is that abortion is not uncommon, and that women are good regardless of how they exercise their reproductive rights." Defendants made series of videos using unaltered segments of plaintiff's video. In allegedly infringing videos, narrative from plaintiff's video continued while "screen showed graphic, up-close images of the surgical procedure of dismembering and removing fetuses, many of which have discernible limbs or appear to be nearly viable." As to first fair use factor, court held that work was clearly transformative, since it added something new, with further purpose or different character, in that video, unlike copyrighted work, was anti-abortion. Court also held that video

was parody of copyrighted work; it targeted copyrighted work by using segments of copyrighted work with macabre images of abortion procedures to deride original work's message that abortion is "normal," and that good women choose to terminate pregnancy. Court held second factor not terribly significant in fair use balancing, particularly in parody context, but found it weighed slightly in favor of plaintiff since copyrighted work was "informational, functional, and creative." Regarding third factor, court held amount used was not excessive since copyrighted video was not well-known, and not easy to conjure up in sound-byte. As to fourth factor, court held harm plaintiff suffered was "not cognizable because it stems from an 'aim at garroting the original,' not a usurpation of the original's market." Thus, court granted defendant's motion for summary judgment on fair use.

Fox Broadcasting Co., Inc. v. Dish Network, LLC, 105 U.S.P.Q.2d 1541 (C.D. Cal. Nov. 7, 2012)

Plaintiffs, owners of copyrights in various television programs airing on Fox Network, in 2002 entered into non-exclusive license agreement with defendant, permitting defendant to retransmit Fox broadcasts to defendant's subscribers. One decade later, in 2012, defendant announced two new subscriber features: (1) "PrimeTime Anytime" ("PTAT"), enabling subscribers to record all prime time programming available on four major broadcast networks, including Fox, every night of week; and (2) "AutoHop," enabling subscribers to "skip" commercials in PTAT recordings through use of remote control. Plaintiffs brought suit for direct and derivative copyright infringement and moved for preliminary injunction on copyright claims. Upon review of governing factors, court denied plaintiffs' motion for preliminary injunction. First, court ruled that plaintiffs had not shown likelihood of success on derivative infringement claims. Court reasoned that under precedent set by *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984), which held that provision of copying equipment that could be used for "legitimate, unobjectionable purposes" did not create contributory liability, plaintiffs had failed to identify theory under which defendant's subscribers could be held liable for direct infringement since there was no evidence that consumers used PTAT copies for anything other than private time-shifting in their homes or on their mobile devices. Without evidence of direct infringement by subscribers, plaintiffs' derivative infringement claims necessarily failed. Next, court examined plaintiffs' likelihood of success on direct infringement claims. First, with respect to distribution right, because evidence showed that copies of works were made locally and disseminated only within individual households, defendant's accused technologies did not infringe plaintiffs' distribution right. Second, with respect to reproduction right, court ex-

amined each accused technology in turn. First, while there were indicia that defendant exercised "control" over copying process in connection with PTAT technology, since ultimately it was defendant's subscribers who took initial step to make copies of copyrighted works, such as to render them "the most significant and important cause" of copying, defendant did not directly infringe through PTAT technology. However, court held that AutoHop technology infringed plaintiffs' reproduction right. Defendant's use of copies of plaintiffs' works was not protected by fair use doctrine, since (1) copies were made for commercial purpose of "providing a high-quality commercial skipping product"; (2) copyrighted works at issue were primarily creative works; (3) copyrighted works were duplicated in their entirety; and (4) AutoHop technology threatened to reduce value of right to copy plaintiffs' television programs and undermine plaintiffs' relationships with licensees who pay for that right. Court noted that defendant's infringing conduct caused plaintiffs some degree of harm, but held nonetheless that harm was not irreparable in nature, but instead was economic, "essentially contractual" injury that was compensable by money damages. Thus, despite showing of likelihood of success on merits, court denied plaintiffs' motion for preliminary injunction due to lack of irreparable injury.

Elsevier, Inc. v. Comprehensive Microfilm & Scanning Services, No. 10-2513, 2013 U.S. Dist. LEXIS 51443 (M.D. Pa. Apr. 10, 2013)

District court denied defendants' motion for summary judgment. Plaintiffs alleged that defendants violated plaintiffs' copyright rights when defendants copied unprocessed microfilm with images of hard-bound journals for third-party defendants, so that third-party defendants could profit from sale of original printed materials to various buyers. Third-party defendants admitted to "engaging in acts of copyright infringement, including a scheme of making deals with hundreds of libraries to provide the library with a microfilm version of a journal in exchange for the paper journal, wherein [third-party defendants] would take apart the binding of the paper journal, photograph each page at [third-party defendants] with [third-party defendants'] resources, send film to [defendants] for processing and then sell the paper journals." Defendants moved for summary judgment that their activities with regard to reproduction of microfilm constituted fair use under § 108. Section 108(a) provides narrow exception for "library or archives, or any of its employees acting within the scope of their employment, to reproduce no more than one copy or phonorecord of a work." Library exception applies only if (1) reproduction or distribution is made without any purpose of direct or indirect commercial advantage; and (2) collections of library or archives are (i) open to public,

or (ii) available not only to researchers affiliated with library or archives or within institution of which it is part, but also to other persons doing research in specialized field. Court found that both parties failed to provide undisputed evidence to support finding that defendants may or may not take advantage of protections afforded under § 108. Defendants admitted that they charged money for processing and reproduction of microfilm, indicating that defendants engaged in acts of reproducing microfilm for commercial profit. Because numerous issues of material fact existed as to whether defendants could take advantage of library exception under § 108, court denied summary judgment.

Bouchat v. NFL Properties, LLC, Nos. 11-2878, 12-1495, 12-1905, 2012 U.S. Dist. LEXIS 164623 (D. Md. Nov. 19, 2012)

District court granted in part and denied in part defendant's summary judgment motion on fair use. Plaintiff alleged defendants' stadium picture displays, documentary videos and video game including plaintiff's logo drawing infringed plaintiff's copyright. Regarding stadium picture displays, as to first fair use factor, court found in favor of fair use, since displays were not commercial, as they were not meaningful part of incentive for patron to buy game ticket; and use was transformative, since purpose was to show history. As to second factor, court held that although nature of work tended to weigh against fair use, where use is substantially transformative, factor does not weigh against fair use. As to third factor, court held that use of entire copyrighted work was neutralized by transformative nature of use. Court found effect of factor to be minimal based on transformative nature and minimal commerciality of use. Thus, court held that use of stadium picture displays was fair. Regarding videos, as to first factor, court found that logo was used selectively as necessary, and was sufficiently transformative, as there was commentary and criticism; there was nothing to put in doubt defendants' good faith belief that uses were fair. Thus, court found first factor weighed in favor of fair use. As to second factor, although nature of copyrighted work tended to weigh against fair use, due to substantial transformative use, factor did not weigh against fair use. As to third factor, although entirety of work was used, factor was neutralized by transformative nature of use. As to fourth factor, court found use minimally commercial and offset by substantially transformative nature of use. Thus, use of logo in documentary videos was fair use. Regarding game, court found first factor weighing heavily against fair use, since logo was not used as necessary to present historical artifacts or events; game was purely commercial, logo was displayed for commercial purpose, and game was on low end of transformative use, since it was making same use as copyrighted work. Second factor weighed against fair use. As to third factor, entirety of work was used and was not neutralized

by transformative use. As to fourth factor, although plaintiff could not exploit copyrighted work, court found factor either neutral or weighing slightly in favor of fair use. Thus, court held use of logo in game not fair use.

National Football Scouting, Inc. v. Rang, No. 11-5762, 2012 U.S. Dist. LEXIS 176905 (W.D. Wash. Dec. 13, 2012)

Plaintiff, scouting organization whose sole purpose was to provide NFL teams with reports of prospective professional football players, brought suit for infringement against blogger for publishing articles that disclosed plaintiff's "Player Grades." Plaintiff compiled yearly scouting reports of college football players, in which plaintiff provided six pages of information on each prospective draftee, along with overall "Player Grade" representing each player's likelihood of success in NFL. Defendant moved for summary judgment dismissing infringement claim on ground that Player Grades were not copyrightable and, alternatively, that defendant's use of Player Grades was protected by fair use doctrine. Court held that plaintiff's Player Grades exhibited requisite level of creativity to be copyrightable, since they were numeric expressions of plaintiff's professional opinion based on expertise and weighing of several subjective factors. Nonetheless, court held that defendant's use of Player Grades was fair use, since (1) defendant's use of copyrighted material was "transformative" insofar as defendant merely recited Player Grade as "jumping off point" in order to provide his own original commentary on players and their draft prospects; (2) only small portion of work was infringed, since defendant published Player Grades of only eighteen players out of hundreds; and (3) defendant's articles were not considered "market substitute" for plaintiff's scouting reports, and thus did not decrease market value of plaintiff's reports, because defendant's articles did not complete directly with extensive, six-pages-worth of material found in plaintiff's reports. Although unpublished nature of plaintiff's works weighed in plaintiff's favor, court held that balancing of factors supported application of fair use.

Ascend Health Corp. v. Wells, No. 12-83, 2013 U.S. Dist. LEXIS 35237 (E.D.N.C. Mar. 14, 2013)

Plaintiffs, operators of private psychiatric hospital in Texas, sued defendant, former patient of hospital, alleging defendant infringed plaintiffs' copyrights by posting images taken from plaintiffs' website on defendant's blogs and social media web pages devoted to criticizing plaintiffs' hospital. Defendant moved to dismiss complaint, claiming fair use. Focusing on first statutory factor, court found purpose and character of defendant's use of images was to criticize plaintiffs' business practices. Court also found defendant's use of images transformative because defendant used images

to criticize plaintiff companies, whereas plaintiff used images to promote plaintiffs' services and attract customers. Fact that defendant copied plaintiffs' images in their entirety, and did not alter images, did not preclude defendant's use of images being transformative. Moreover, court found defendant's use of images was non-commercial, because defendant did not charge to view blogs or otherwise profit from posting of images. Turning to fourth statutory factor, court found no potential effect or harm to market for plaintiffs' images, as distinct from market for plaintiffs' services, resulting from defendant's posting of images, because plaintiffs' images had no intrinsic market value. Since second and third fair use factors were neutral, and first and fourth fair use factors weighed in favor of defendant, court found defendant's use of images to be fair and dismissed complaint.

B. Statute of Limitations

Scorpio Music (Black Scorpio) S.A. v. Willis, No. 11-1557, 2013 U.S. Dist. LEXIS 29141 (S.D. Cal. Mar. 4, 2013)

Plaintiffs, music publisher and rights administrator, sued defendant, original lead singer of The Village People, challenging validity of defendant's notice of termination relating to defendant's alleged rights in English translations of and/or alternative lyrics for thirty-three musical compositions. Defendant counterclaimed for declaratory judgment as to validity of termination notice, and claiming ownership of 50% of twenty-four copyrights at issue. Plaintiff moved to dismiss counterclaim as time-barred. Court denied plaintiff's motion, finding issue of fact as to when defendant's claim accrued. Following Ninth Circuit's holding in *Zuill v. Shanahan*, 80 F.3d 1366 (9th Cir. 1996), court noted that defendant's claim accrued "when plain and express repudiation of [defendant's] claim to ownership of 50% of the copyright interests was communicated to [defendant]." Defendant argued claim could not have accrued until he exercised his termination right, because his right did not vest until he served notice of termination. Court found "fact that [defendant's] future rights to the disputed works vested upon service of the notice of termination does not mean that [defendant] could not have brought his co-ownership claim earlier." Therefore, under *Zuill*, court found defendant's claim accrued when plain and express repudiation of defendant's 50% ownership claim was communicated to him. However, court found record, at this stage, insufficient to establish when plain and express repudiation was communicated to defendant. Accordingly, court denied plaintiff's motion to dismiss counterclaim.

Popovich v. Pelican Landing, Inc., No. 11-227, 2012 U.S. Dist. LEXIS 128260 (W.D. Pa. Sept. 10, 2012)

Plaintiff designer sued defendant restaurant owners for infringement of two-dimensional artwork. Defendants had commissioned plaintiff to create and install custom works, including three-dimensional sculpture of pelican, for restaurant. Parties agreed that plaintiff would retain all rights in original designs and artwork, and that defendants would not be charged for any two-dimensional artwork created as part of design process. During design process, defendants asked plaintiff to alter design for pelican sculpture, indicating that they planned to base logo on design. Plaintiff informed defendants that original agreement did not include two-dimensional artwork for use as logo, but that parties could contract for such services and artwork under separate contract for additional compensation. No such agreement was concluded. Plaintiff delivered work, including two-dimensional drawing of pelican sculpture, to defendants, but before conclusion of work, plaintiff was fired as result of contract dispute. Defendant subsequently obtained copyright registration for pelican drawing. Soon thereafter plaintiff was contacted by defendants' attorney, who accused plaintiff of stealing drawing and threatened legal action. Defendants, however, took no action. Several years later plaintiff learned that defendants were using pelican drawing to promote and advertise restaurant. Plaintiff sued, and defendants moved to dismiss on ground that complaint was untimely. Court opined that while plaintiff's claim accrued first time defendants misused pelican drawing, since plaintiff did not know date of such misuse, discovery rule could toll running of limitations period. Defendants argued that facts including contract dispute and threatened litigation constituted "storm warnings of culpable activity," such that plaintiff should have been on notice of potential acts of infringement, and that plaintiff failed to exercise reasonable due diligence. Court disagreed, finding that plaintiff's awareness that business relationship ended badly, and threat of litigation, were not enough. It was not plaintiff's duty to continually monitor defendants' business activities to discover whether defendants were misusing copyrighted work. Accordingly, statute of limitations was tolled, and motion to dismiss was denied.

Master Mind Music, Inc. v. Block Enterprises, LLC, No. 12-162, 2012 U.S. Dist. LEXIS 179221 (N.D. Ga. Dec. 18, 2012)

Plaintiff, music production company, brought suit for infringement and declaratory relief against music distributor based on plaintiff's alleged ownership rights in master recordings of musical artist professionally known as Yung Hoc. Plaintiff alleged that defendant misappropriated artist's master recordings through, *inter alia*, commercial release of artist's debut album without plaintiff's authorization and without giving plaintiff "co-executive

producer" credit. Court granted defendant's motion to dismiss both infringement and declaratory judgment claims on ground that claims were barred as matter of law. First, plaintiff's declaratory judgment claim, seeking declaration that plaintiff was sole owner of copyrighted albums at issue, was barred under § 507(b)'s three-year statute of limitations, since plaintiff had been put on notice of potential infringement claim at least as early as 2007, in view of (1) wide commercial release of artist's first album (in which defendant expressly asserted ownership of copyrighted materials at issue); (2) defendant's publicly available copyright registration for material on that album; and (3) plaintiff's prior state court lawsuit against defendant based on similar facts and allegations. Because three years had passed since point in time that plaintiff, with reasonable diligence, had reason to know of injury, plaintiff's ownership claim was time-barred. Additionally, because plaintiff's claim that it owned copyrights at issue was "fundamental" to its infringement claim, finding that ownership claim was time-barred also barred plaintiff's infringement claim as matter of law.

Peterson v. Harley-Davidson, Inc., No. 12-381, 2012 U.S. Dist. LEXIS 106369 (E.D. Wis. July 31, 2012)

District court denied motion to dismiss plaintiff's complaint as time-barred. Plaintiff, freelance artist, produced graphic works for Harley-Davidson in 1985 and 1991. Plaintiff alleged that he owned copyrights in works, and only granted Harley "one time one run" license. Harley used works on hundreds, if not thousands, of runs of products, packaging and marketing materials. In 2012, plaintiff brought suit, and Harley moved to dismiss, arguing that statute of limitations barred any claims based on acts that occurred more than three years before plaintiff filed suit, and plaintiff's copyright claims were based on acts of infringement that occurred before April 25, 2009. General rule is statute of limitations is affirmative defense; and as long as complaint states claim, it may not be dismissed on basis of affirmative defense unless plaintiff "admits all the ingredients of an impenetrable defense." Plaintiff contended that under "continuing violation" doctrine he was entitled to recover damages for entire course of conduct. While *CSC Holdings, Inc. v. Redisi*, 309 F.3d 988 (7th Cir. 2002), favored Harley, court was bound by *Taylor v. Meirick*, 712 F.2d 1112 (7th Cir. 1983). In *Taylor*, defendant copied plaintiff's maps and continued to sell maps until plaintiff filed suit. Even though initial copying occurred more than three years before plaintiff filed suit, court found defendant's actions qualified as continuing wrong, and plaintiff was entitled to suit based on entire series of infringement. As *Taylor* had not been overruled, court refused to dismiss instant case based on statute of limitations; plaintiff's complaint alleged that Harley was engaged in single course of infringement that began in mid-1980s and continued to present day.

C. *First Sale Doctrine*

Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013)

Supreme Court held that first sale doctrine applies to copies of copyrighted work lawfully made abroad. Wiley assigned to its wholly-owned foreign subsidiary rights to publish, print, and sell foreign editions of Wiley's English-language textbooks abroad. Wiley Asia's books stated that they were not to be taken without permission into U.S. Supap Kirtsaeng moved from Thailand to U.S. to study mathematics, and asked friends and family to buy foreign-edition English-language textbooks sold at low prices in Thai bookshops, and mail them to him in U.S., where he sold books on eBay at profit. Wiley sued, alleging Kirtsaeng's unauthorized importation and resale of foreign-edition books infringed § 106(3) distribution right and § 602 importation right. District court held first sale doctrine did not apply to goods manufactured abroad; jury found that Kirtsaeng had willfully infringed Wiley's copyrights. Second Circuit affirmed, concluding that § 109(a)'s "lawfully made under this title" language indicated that first sale doctrine does not apply to copies of American copyrighted works manufactured abroad. Supreme Court reversed, finding that § 109(a)'s language, context and common-law history favored reading "lawfully made under this title" as imposing non-geographical limitation — made "in accordance with" or "in compliance with" Act, so that first sale doctrine applies to copies made abroad with copyright owner's permission. Simple reading promotes traditional copyright objective of combating piracy and makes word-by-word linguistic sense. In contrast, geographical interpretation "bristles with linguistic difficulties." Historical and contemporary statutory context indicate that Congress did not have geography in mind when writing § 109(a). For example, "manufacturing clause," which limited importation of many copies printed outside U.S., was phased out to equalize treatment of copies made in America and copies made abroad. "Equal treatment" principle is difficult to square with geographical interpretation that would grant American copyright holder permanent control over American distribution chain with respect to copies printed abroad, but not those printed in U.S. Non-geographical reading is also supported by canon of statutory interpretation that, when statute covers issue previously governed by common law, it is presumed that Congress intended to retain substance of common law; common-law "first sale" doctrine made no geographical distinctions. Court found "parade of horribles" attributed to geographical interpretation by Kirtsaeng and *amici* too serious, extensive, and likely to come about to be dismissed as insignificant, particularly in light of ever-growing importance of foreign trade to U.S.

Capitol Records, LLC v. ReDigi, Inc., No. 12-95, 2013 U.S. Dist. LEXIS 48043 (S.D.N.Y. Mar. 30, 2013)

Court granted plaintiff's motion for summary judgment on claims of direct, contributory and vicarious infringement of distribution and reproduction rights. ReDigi marketed self as "world's first and only online marketplace for digital used music." To sell music on ReDigi site, user would download "Media Manager" to computer. Media Manager would analyze user's computer to build list of digital music files eligible for sale. File was eligible only if purchased on iTunes or from another ReDigi user; music downloaded from CD or other file-sharing website was ineligible. After validation process, Media Manager continually ran on user's computer and attached devices to ensure that user had not retained music sold or uploaded for sale. However, Media Manager could not detect copies stored in other locations. Central issue was upload process. ReDigi asserted that process involved "data migration" packet by packet, "analogous to train." Court found that, semantics aside, at end of process, there was digital music file on ReDigi's server and not on user's computer, so reproduction had occurred; under laws of physics it was simply impossible that same material object could be transferred over Internet. First sale defense is, by its own terms, limited to distribution right, so first sale did not immunize ReDigi's violation of plaintiff's reproduction right. Nor did first sale doctrine protect ReDigi's distribution of plaintiff's recordings, because digital music file sold on ReDigi was not "lawfully made under this title," but was new phonorecord unlawfully fixed by user on ReDigi server. It was impossible for user to sell user's "particular" phonorecord on ReDigi. "The first sale defense does not cover this any more than it covered the sale of cassette recordings of vinyl records in a bygone era." ReDigi argued that since technological change had rendered literal terms ambiguous, Act must be construed in light of basic purpose of incentivizing creative work for ultimate cause of promoting broad public availability of literature, music, and other arts. Court disagreed; while technological change may have rendered Section 109(a) unsatisfactory to many contemporary observers and consumers, it had not rendered it ambiguous. Statute plainly applies to lawful owner's "particular" phonorecord, which by definition cannot be uploaded and sold on ReDigi's website. Amendment of Copyright Act in line with ReDigi's proposal is legislative prerogative that courts are unauthorized and ill-suited to attempt. Court noted that there are many reasons limitation of first sale doctrine to physical world may be desirable. It is left to Congress, not court, to deem them outmoded.

D. Res Judicata/Collateral Estoppel

Latin American Music Co., Inc. v. Media Power Group, Inc., 705 F.3d 34 (1st Cir. 2013)

First Circuit affirmed jury verdict and grant of defendant's summary judgment motion, holding that plaintiffs were collaterally stopped from litigating ownership of copyright in four songs. Plaintiffs, music publisher and performance-rights society, alleged defendant radio broadcaster infringed plaintiffs' copyrights in twenty-one songs defendant played on air without permission. District court held plaintiffs were collaterally stopped from litigating ownership of four of those songs. Plaintiffs were parties to unrelated infringement case involving same four songs. There, First Circuit affirmed district court's dismissal of plaintiffs' infringement claims, holding that plaintiffs did not make *prima facie* showing of ownership of eleven songs, four of which were at issue here. Defendant therefore argued that plaintiffs should be collaterally stopped from litigating ownership of those songs. Plaintiffs did not dispute that collateral estoppel requirements were all met; present issue was litigated in prior action, and issue was determined by valid and binding final judgment and was essential to final judgment. However, plaintiff argued that prior action decided issue without benefit of additional evidence, certificate of recordation showing assignment of copyrights to plaintiffs, that plaintiffs untimely submitted in prior action. Court rejected argument, holding that party cannot avoid collateral estoppel by presenting additional evidence that was available to party during prior action. Court therefore concluded that plaintiffs were estopped from litigating ownership of four songs at issue.

Young Money Entertainment, LLC v. Digerati Holdings, LLC, No. 12-07663, 2012 U.S. Dist. LEXIS 163619 (C.D. Cal. Nov. 15, 2012)

Court denied defendant's motion to dismiss based on collateral estoppel and *res judicata*. Plaintiffs sued defendant for copyright infringement, contributory copyright infringement, unfair competition and accounting for using plaintiffs' copyrighted music without authorization in documentary film about plaintiff Duane Michael Carter, Jr.'s stage persona "Lil Wayne." Defendants moved to dismiss complaint on basis that plaintiffs' claims were barred by issue and claim preclusion, on basis that plaintiffs improperly sought to relitigate claims decided by Southern District of New York. In earlier case, filed by other plaintiffs against defendants in this action, court found that Carter, not party to that action, had granted defendants valid, non-exclusive license to use musical compositions in film, and thus plaintiffs in that action, who were co-owners, were barred from suing for infringement. Defendants asked court to create new legal princi-

ple finding privity between co-owners of copyrighted work for purposes of collateral estoppel and *res judicata*. However, court found that co-owners of copyrighted work did not have substantial legal relationship creating privity for purpose of collateral estoppel and *res judicata*, because plaintiff Carter was not represented in prior action, and plaintiffs in prior action were not trustees, guardians or other fiduciaries by virtue of co-ownership of copyrighted work.

Tilmon-Jones v. Bridgeport Music, Inc., No. 11-13002, 2012 U.S. Dist. LEXIS 138675 (E.D. Mich. Sept. 26, 2012)

Court granted defendants' motion dismissing complaint and for sanctions in dispute involving ownership of various musical compositions. Songwriter and recording artist Abrim Tilmon entered into several agreements with defendants assigning his interest in musical compositions. Copyrights for compositions came up for renewal after Tilmon's death. Plaintiffs contended that copyrights vested in Tilmon's estate, not defendants. Plaintiffs brought suit for copyright infringement, declaratory judgment and other state claims, alleging that defendants falsely and fraudulently claimed and continued to claim ownership and renewal of musical works by, among other things, renewing with Copyright Office. Court held that plaintiffs' claims were barred by unambiguous settlement agreement and broadly worded release executed in earlier action brought by plaintiffs against defendants on similar grounds, in connection with different set of songs. Plaintiffs argued that settlement and release should be set aside because obtained through fraud, but court found argument had been addressed and rejected by court in earlier action. Court further held that claims brought in current action were barred by *res judicata* because they could have been brought previously.

E. Miscellaneous

WPIX, Inc. v. IVI, Inc., 691 F.3d 275 (2d Cir. 2012)

Second Circuit affirmed district court's order granting plaintiffs preliminary injunction on basis that, *inter alia*, plaintiffs were likely to succeed on merits of case because defendant was not "cable system" entitled to compulsory license under § 111. Plaintiffs were producers and owners of copyrighted television programming. Defendants operated website that, without plaintiffs' consent, streamed plaintiffs' works via Internet to subscribers for monthly subscription fee. Defendants argued that website was "cable system" entitled to compulsory license under § 111, which allows cable systems to publicly perform and retransmit signals of copyrighted television programming, provided they pay government-regulated royalties to copyright owners. Since Copyright Office — federal agency

charged with overseeing § 111 — had spoken on issue of whether § 111's compulsory licenses extend to Internet retransmissions, court utilized two-step process outlined in *Chevron U.S.A., Inc. v. Natural Res. Def. Council, Inc.*, 467 U.S. 837 (1984). As to *Chevron* step one, whether Congress had clearly spoken on issue of Internet retransmissions, court held that statute was ambiguous. Act defines "cable system" to be "a facility . . . [that] makes secondary transmissions [of television broadcast programs] . . . by wires, cables, microwave or other communications channels to subscribing members of the public who pay for such service." Defendant argued that it had facility as required by § 111, including "a physical encoder hardware, located in a state, [which] then retransmitted from a headend also located in a state." Court appeared to reject this argument because defendant had "not identified the location or nature of its facility." Court also noted that it was "unclear whether the Internet itself is a facility." Court, looking to legislative history and legislative intent, found that Congress intended to support localized, not nationwide, systems and did not intend for § 111 to cover Internet retransmissions. To extent there was doubt as to Congress's intent, court proceeded to *Chevron* step two, 'which instructs us to defer to an agency's interpretation of the statute, so long as it is 'reasonable,'" and held that Copyright Office has "consistently concluded that Internet retransmission services are not cable systems and do not qualify for § 111 compulsory licenses." Thus, Second Circuit affirmed preliminary injunction.

Petrella v. Metro-Goldwyn-Mayer, Inc., 695 F.3d 946 (9th Cir. 2012)

Ninth Circuit affirmed decision of district court dismissing claim for copyright infringement as barred by laches. Author collaborated with retired boxer Jake LaMotta to produce book and two screenplays about LaMotta's life, in 1963 and 1973. Defendants acquired motion picture rights and produced movie *Raging Bull* in 1980. In 1981, author died, and renewal rights in 1963 screenplay passed to his heirs. In 1991, daughter-heir filed renewal application. In 1998, plaintiff's attorney contacted defendants, asserting that plaintiff had obtained rights to 1963 screenplay, and that exploitation of any derivative work, including *Raging Bull*, was infringement. Plaintiff and defendants exchanged series of letters in which plaintiff accused defendants of infringing copyrights, and defendants insisted they were not, (1) claiming 1963 screenplay was collaboration between author and LaMotta, so defendants retained all necessary rights in script under their agreement with LaMotta; and (2) denying 1963 screenplay and film were substantially similar. Plaintiff repeatedly threatened to take legal action, but did not file suit until 2009. Ninth Circuit determined that equitable defense of laches barred plaintiff's copyright infringement claim because (1) reasons she gave for delays in notification and in filing

suit — her brother's disability, her mother's illness, inability of her family to afford lawsuit, and "defendants' affirmative conduct in telling her the film's financial position was hopeless" — were unreasonable; and (2) defendants established expectations-based prejudice, since they made significant investments in promoting film. Court, accordingly, held that plaintiff's copyright infringement claim was barred by laches.

Evergreen Safety Council v. RSA Network, Inc., 697 F.3d 1221 (9th Cir. 2012)

Ninth Circuit affirmed grant of summary judgment dismissing defendant's counterclaim for infringement based on laches. Declaratory plaintiff and defendant both published pilot escort vehicle operator training manuals used for mandatory state certification programs. Plaintiff consulted with defendant on development of plaintiff's training manual, and mailed draft manual to defendant for review prior to publication. Defendant received draft manual from plaintiff, but did not open envelope or review draft manual at time. Ten years later, defendant became aware that plaintiff's manual contained similarities to defendant's copyrighted manual, and sent demand letters to plaintiff. Thereafter, plaintiff sued defendant seeking declaratory judgment of non-infringement. Defendant counterclaimed, asserting willful infringement. Plaintiff asserted affirmative defense of laches, and district court dismissed claim as barred by laches. Ninth Circuit affirmed, finding plaintiff had demonstrated requisite unreasonable delay. Court found laches began to run when defendant received draft manual sent by plaintiff, even though defendant did not open envelope of review draft manual at that time, because "that is the date on which [defendant] knew, or should have known, of the allegedly infringing content." Plaintiff, court found, demonstrated both evidentiary prejudice and expectations-based prejudice, further supporting application of laches. Court declined to apply willful infringement exception to laches, because evidence showed plaintiff acted in good faith and reasonable belief that allegedly infringing works were non-infringing and/or produced under license or implied license resulting from plaintiff's prior consultation with defendant.

Slate v. American Broadcasting Cos., No. 09-1761, 2013 U.S. Dist. LEXIS 57617 (D.D.C. Apr. 23, 2013)

Court granted defendant's motion to dismiss based on equitable estoppel. Plaintiff alleged that defendant infringed his copyright when it used 40 seconds of hidden-camera footage in *20/20* program. Footage was produced by ABC, and filmed by plaintiff and third party non-profit Police Complaint Center ("PCC"), in 2007. Agreement between PCC and ABC gave ABC ownership of all footage produced as result of arrangement.

After footage was shot, plaintiff ended his relationship with PCC, but did not inform ABC. In 2008, one week before ABC was planning on using footage in *20/20* segment, plaintiff registered footage with Copyright Office in his own name, and sent email message to ABC stating that he was no longer working with PCC, and revoking license to use footage. ABC aired broadcast containing footage, and plaintiff sued for copyright infringement. Defendants filed motions for summary judgment and to dismiss based on bad faith litigation conduct. Defendants argued that plaintiff was equitably estopped from asserting claim based on his personal rights in footage because plaintiff held himself out as agent of PCC when negotiating with defendants, and defendants reasonably relied on representation. Court agreed, finding that plaintiff held himself out as PCC's agent during projects, never indicating that he believed he had individual ownership of footage, and pursued third project acting on behalf PCC; that defendants paid PCC, not plaintiff, for footage; and that plaintiff was identified as "director" of PCC during broadcast. Court, noting that holding-out sufficient to raise estoppel may be accomplished by silence and inaction, particularly if prolonged, held that plaintiff's representations to defendants weighed in favor of estoppel. Court also found defendants' reliance was reasonable, finding there was no evidence that defendants did business with plaintiff personally. Plaintiff argued that any reliance was not detrimental because plaintiff asserted independent ownership of footage before defendants began editing and before show aired, and that removing footage from broadcast thus would not have been detrimental. Court found that detrimental reliance began when defendants paid tens of thousands of dollars and dedicated substantial time and resources to create and obtain footage.

ZilYen, Inc. v. Rubber Manufacturing Association, No. 12-0433, 2013 U.S. Dist. LEXIS 47279 (D.D.C. Apr. 2, 2013)

District court granted defendant's motion to dismiss copyright claim. Plaintiff compact disc manufacturer and defendant trade association entered into contract under which plaintiff would design, produce, and deliver to defendant 200,000 CDs, with content supplied by defendant, for distribution among members. Contract provided for payment of 50% of cost of CDs on execution, with balance due on delivery, and included provision that plaintiff could not be held responsible for accuracy of information supplied by defendant, or accuracy of information in material prepared by plaintiff and approved by defendant. Defendant paid plaintiff 50% of estimated cost on execution of contract. On receiving CDs, defendant's employees ran CD software on their computers, which required copy to be made in RAM. On same day, defendant contacted plaintiff alleging that CDs as delivered contained error in link to Adobe Reader X

software on CD. Defendant did not pay balance of contract amount. Plaintiff brought suit alleging breach of contract and copyright infringement. Defendant counterclaimed for breach of contract and breach of warranties, and parties filed cross-motions to dismiss. Defendant did not contest validity of copyright or that use of CDs by its employees constituted "copying" of original elements of work within meaning of § 501, but argued that its actions did not constitute infringement because copying was "essential step" in utilization of computer program and therefore affirmative defense under § 117 applied. Court, following *Krause v. Titleserv, Inc.*, 402 F.3d 119 (2d Cir. 2005), found facts alleged in complaint established that defendant was "owner" entitled to claim § 117(a) defense. Contract provided that plaintiff would work collaboratively with defendant to create, print and deliver CDs. Plaintiff's employees designed CD software, pursuant to agreement and in consultation with defendant, and revised software at defendant's request. There was no language in agreement restricting defendant's use of CDs; defendant apparently had right to indefinitely possess CDs or to dispose of CDs entirely. Agreement did not provide plaintiff with right to repossess CD software, and divested plaintiff of liability for accuracy of information contained on CDs. And plaintiff received significant consideration from defendant for CDs. Facts collectively showed "sufficient incidents of ownership" required by § 117(a). Failure to pay total amount due under contract did not defeat defendant's § 117(a) defense; whereas lack of intent to pay for computer program in general raises inference regarding parties' intentions as to ownership of program, non-payment due to alleged defect does not. Having found that defendant was "owner," court had no difficulty finding complaint established remaining elements of § 117(a) defense. Because creation of random access memory copy was necessary in order to properly run CD on computer, creation of copy was essential step in utilization of computer program in conjunction with machine. Plaintiff did not allege that defendant used RAM copies it created for any purpose other than utilizing computer program itself on its own computers in order to review CDs following delivery. Copies were thus "used in no other manner" than as essential step permitting defendant's personal use of CDs, conduct that did not violate any term of parties' agreement. Court accordingly found that defendant satisfied all requirements of § 117(a)(1), and creation of RAM copies on its computers did not constitute infringement.

Leventhal v. Schenberg, No. 11-4614, 2013 U.S. Dist. LEXIS 6888 (N.D. Ill. Jan. 17, 2013)

Court granted defendants' motion to dismiss copyright claim on ground of judicial estoppel. Plaintiff was former officer of two Illinois corporations, BitzMart and Primecom. Defendant resigned as BitzMart's Chief Market-

ing Officer in 2002 and took, without authorization, computer files containing proprietary lists of customer information and sales information that belonged to plaintiff, and were made available to BitzMart. Plaintiff alleged that defendant infringed plaintiff's copyright in list of contacts and additional sales and marketing materials. Defendants argued that plaintiff's copyright claims were barred by doctrine of judicial estoppel, because plaintiff failed to allege copyright ownership and copyright claims during proceedings in bankruptcy court. Debtors in bankruptcy proceedings who deny owning assets cannot realize on no-disclosed asset after end of bankruptcy proceeding. Court found that plaintiff was undeniably aware at time that he filed petition for Chapter 7 bankruptcy that he owned alleged copyright in proprietary lists of customer information and sales information, given that he asserted ownership in copyright of lists and customer information in separate copyright case filed against defendant in 2003. Moreover, plaintiff took no action to amend his bankruptcy schedules or reopen bankruptcy proceedings to include potential copyright assets. As such, court applied doctrine of judicial estoppel and found that plaintiff was not permitted to litigate matter.

Gaines v. Fusari, No. 11-4433, 2013 U.S. Dist. LEXIS 65745 (D.N.J. May 8, 2013)

Court granted motion to dismiss third-party complaint. Plaintiff sued defendant seeking declaration that plaintiff was co-author and co-producer of several songs co-owned by defendant producer and third-party defendant Stefani Germanotta, aka Lady Gaga. Defendant producer asserted claims for indemnification and contribution against Germanotta. Germanotta moved to dismiss, arguing that federal law did not provide cause of action for indemnification or contribution. Court agreed. Defendants liable under federal statute have right to indemnification or contribution only if right arises "(1) through the affirmative creation of a right of action by Congress, either expressly or implicitly, or (2) via the power of the courts to formulate federal common law." Court held that because plaintiff's claims were under federal law, defendant's indemnification and contribution claims must also be; however, neither federal statutory nor federal common law provide cause of action for indemnification and contribution in Copyright Act cases. Court therefore dismissed third-party complaint.

Lego A/S v. Best-Lock Construction Toys, Inc., 874 F. Supp. 2d 75 (D. Conn. 2012)

District court held that defendant was not entitled to preliminary injunction. Plaintiff sued defendant competitor for infringement of its copyrighted minifigures. Defendant brought counterclaims seeking declaration

that plaintiff's copyrights were invalid and not infringed by defendant's minifigures, and damages and injunction based on Customs seizures of defendant's products, arguing, *inter alia*, that plaintiff was equitably estopped from enforcing its rights. Copyright defendant invoking equitable estoppel must show that (1) plaintiff had knowledge of defendant's infringing acts; (2) plaintiff either intended that defendant rely on his acts or omissions or failed to act in such manner that defendant had right to believe that it was intended to rely on plaintiff's conduct; (3) defendant was ignorant of true facts; and (4) defendant relied on plaintiff's conduct to its detriment. As to first element, defendant alleged that plaintiff had knowledge of defendant's minifigures since 1998. Plaintiff countered that defendant failed to show that plaintiff was aware of "continuous, long-term" infringement, and had not shown that minifigures defendant sold in past were similar to ones in present action. Knowledge element, court stated, requires that defendant show that during relevant time period plaintiff was selling minifigures that plaintiff believed were infringing; it was not possible to make finding on present record on subject of plaintiff's knowledge. Defendant argued that second element was met due to plaintiff's failure to assert its rights for thirteen years. Plaintiff argued that inaction alone cannot give rise to estoppel, and proffered evidence that some of its minifigures contained copyright notice. Court held that inaction can support estoppel only if plaintiff intended that defendant rely on inaction, or if defendant had right to believe that plaintiff intended defendant to so rely. Pure inaction in face of affixed copyright notice is insufficient to establish equitable estoppel. Regarding third element, court noted that it was unsettled in Second Circuit whether "true facts" refer to existence of protectible copyright or to copyright holder's intent to enforce copyright. However, weight of authority suggested that awareness of copyright at issue constitutes awareness of "true facts." Because defendant was aware of plaintiff's copyrights, defendant could not meet this element. Court found that defendant satisfied fourth element, detrimental reliance, because it invested money in developing its minifigures. However, because defendant could not satisfy all four elements, defendant was not entitled to prevail on ground of equitable estoppel.

Peterson v. Harley-Davidson, Inc., No. 12-381, 2012 U.S. Dist. LEXIS 106369 (E.D. Wis. July 31, 2012)

District court declined to dismiss plaintiff's complaint based on affirmative defense of laches. Plaintiff, freelance artist, produced graphic works for Harley-Davidson in 1985 and 1991. Plaintiff alleged that he only granted Harley "one time one run" license. Harley used works on hundreds, if not thousands, of runs of products, packaging and marketing materials. In 2012, plaintiff brought suit, and Harley brought motion to dismiss. Har-

ley's principal ground for dismissal was doctrine of laches. Laches is affirmative defense; general rule is that as long as complaint states claim, it may not be dismissed on basis of affirmative defense unless plaintiff "admits all the ingredients of an impenetrable defense." For laches, party asserting defense must demonstrate (1) unreasonable lack of diligence by complaining party; and (2) prejudice arising therefrom. Although plaintiff waited long time to file suit, court could not state time was unreasonable as matter of law. Reasonableness depends on totality of circumstances, which could not be shown by pleading alone. As to prejudice, while it would be reasonable to infer that plaintiff's delay caused prejudice to Harley, court did not find complaint established that that was only reasonable inference. As all inferences are made in favor of non-moving party, court denied motion to dismiss case based on laches.

Zuffa, LLC v. Kamranian, No. 11-36, 2013 U.S. Dist. LEXIS 41237 (D.N.D. Mar. 25, 2013)

District court granted plaintiff's motion for summary judgment. Plaintiff owned copyright in "Ultimate Fighting Championship" event broadcast. Broadcast originated via satellite uplink for transmission by satellite signal to cable systems and satellite communications companies, for commercial distribution either by closed circuit television or encrypted satellite signal. Defendant was sole shareholder of Reza's Pitch, small sports bar in Bismarck, North Dakota featuring "burgers and beer" with soccer theme. On night of broadcast, defendant found streaming broadcast of event on website, and fed broadcast to three large monitors in restaurant that were connected to his laptop. Defendant admitted that he did not purchase license to publicly perform broadcast. Plaintiff sued for infringement, and defendant argued he was not liable based on "homestyle" exemption under § 110(5)(A), which exempts from liability public performance or display of copyrighted work if work is performed or displayed on single receiving apparatus of kind "commonly used in private homes." Primary determinant of qualification for exemption is equipment used to perform or display work. Court must view entire package of equipment used, and equipment must be configured in way commonly used in home. Defendant argued that equipment here, i.e., computer, monitors and connection video cable, was ubiquitous in home use, and thus exemption applied. While court agreed that equipment used was common, *manner* in which components were configured was uncommon. Court determined that use of computers to stream video may be borderline "common"; however, use of multiple large external monitors to display streaming video, separate from or in addition to small monitor or screen, was uncommon. Court held defendant did not meet burden of proving such use was common, and therefore exemption was not available.

VII. REMEDIES

A. Damages and Profits

Capitol Records, Inc. v. Thomas-Rasset, 692 F.3d 899 (8th Cir. 2012)

Eighth Circuit vacated judgment of United States District Court for District of Minnesota, and remanded with directions to enter judgment for damages award in amount of $222,000 and injunction that precluded respondent from making any of appellant record companies' recordings available for distribution to public through Internet. Record companies argued that district court erred in holding that Due Process Clause limited statutory damages to $2,250 per infringed work, limiting total damages to $54,000. Record companies sought award of $222,000, amount awarded by jury in first trial, and broader injunction that barred Thomas-Rasset from making any of their sound recordings available to public. In cross-appeal, Thomas-Rasset argued that *any* statutory damages would be unconstitutional. Infringement was found to be willful, and Thomas-Rasset's subsequent efforts to conceal her actions showed proclivity for unlawful conduct. Reviewing court is directed to consider three factors in determining whether award of punitive damages is excessive and unconstitutional: (1) degree of reprehensibility of defendant's misconduct; (2) disparity between actual or potential harm suffered by plaintiff and punitive damages award; and (3) difference between punitive damages awarded by jury and civil penalties authorized or imposed in comparable cases. However, punitive damages guideposts are not applicable in context of statutory damages because issue of fair notice does not apply to statutory damages, which are already identified and constrained by authorizing statute. Congress set statutory damages range for willful copyright infringement at $750 to $150,000 per work infringed. Statutory damages award of $9,250 for each of twenty-four works infringed, for total of $222,000, did not contravene Due Process Clause; award was not so severe and oppressive as to be wholly disproportioned to offense or obviously unreasonable.

Tattoo Art, Inc. v. TAT International, LLC, No. 11-2014, 2012 U.S. App. LEXIS 25315 (4th Cir. Dec. 10, 2012)

Fourth Circuit affirmed award of both actual damages for breach of license agreement and statutory damages for copyright infringement. Plaintiff licensor sued licensee/owner for infringement of copyright in tattoo art designs and breach of license agreement. District court granted licensor partial summary judgment, and awarded both statutory damages and damages for breach of contract. Fourth Circuit affirmed, holding licensee's alteration of licensor's tattoo designs by changing color scheme exceeded scope of license agreement, and therefore constituted copyright infringe-

ment. Further, licensee's continued use of altered designs for promotional purposes after agreement had been terminated constituted infringement, because licensee was contractually required to immediately cease all sales of designs post-termination. District court awarded $20,000 per work infringed, for total of $480,000. Court justified sizable award, reasoning that while it could not "conclude definitively" that licensee "willfully" engaged in infringement, licensee's conduct fell closer to "willful end of spectrum than innocent end" and so large award was warranted. District court correctly rejected plaintiff's contention that "each individual recolored image" constituted separate work for calculation of statutory damages. Although parts of compilation may be regarded as independent works for other purposes, for purposes of statutory damages, they constitute one work. Fourth Circuit rejected defendant's contention that district court's award was improper because it awarded both actual and statutory damages for infringement, reasoning that statutory damages were for infringement, while actual damages were for breach of contract. Accordingly, damages award was proper.

Cullum v. Diamond A. Hunting, Inc., 484 Fed. App'x 1000 (5th Cir. 2012)

Appellate court affirmed district court's various rulings based on cross motions for summary judgment. Defendant ranch "somehow obtained" compact disc of plaintiff photographer's photographs, and used them on website and in promotional material. After relationship deteriorated, plaintiff claimed copyright and demanded that defendant cease use. After suit was filed, defendant removed photographs from website, but continued use in brochures. Parties moved for summary judgment. District court found that plaintiff granted oral license, which was revoked upon filing of lawsuit; and that defendant infringed copyright through continued use of photographs in brochures. Court awarded plaintiff $950 in statutory damages. Plaintiff appealed determination of oral license, damages, and denial of attorneys' fees. Appellate court found no reversible error. Although district court did not explain, and possibly contradicted, finding of oral license, any error on point was harmless because plaintiff only sought summary judgment with respect to continued use of photographs after his filing suit. District court did not abuse its discretion in treating photographs as compilation instead of individual works for purposes of calculating statutory damages. As to damages amount, district court "has virtually unfettered discretion in deciding the quantum of damages to award in a copyright infringement case." Award of $950 was well within statutory range, and was made after considering detailed report and recommendation from magistrate judge.

Lucerne Textiles, Inc. v. H.C.T. Textiles Co., No. 12-5456, 2013 U.S. Dist. LEXIS 7820 (S.D.N.Y. Jan. 17, 2013)

Plaintiff textile company sued defendant for infringement of plaintiff's fabric designs. Default judgment was entered, and plaintiff sought statutory damages. Magistrate judge found that because defendant defaulted, infringement was deemed willful, and therefore statutory award should incorporate not only compensatory, but also punitive component to discourage further wrongdoing by defendant and others. Court also found statutory damages award proper here because defendant continued selling infringing fabric after having received two cease-and-desist letters and after complaint was filed. Magistrate recommended award of $30,000, maximum statutory damages award for non-willful infringement of single work.

Psihoyos v. John Wiley & Sons, Inc., No. 11-1416, 2012 U.S. Dist. LEXIS 162822 (S.D.N.Y. Nov. 7, 2012)

Plaintiff photographer sued defendant publisher for copyright infringement resulting from defendant's unauthorized publication of four of plaintiff's photographs. In unanimous verdict, jury found non-willful infringement as to one photograph, and willful infringement as to two others, awarding plaintiff $130,000 in damages. Defendant brought motion for remittitur challenging jury's damages award. Defendant argued that (1) plaintiff presented insufficient evidence of willful infringement; (2) statutory damages award was not rationally related to plaintiff's actual loss; (3) jury erred in calculation of statutory damages; (4) award lacked deterrent purpose; and (5) award shocked conscience. Court denied defendant's motion, noting that "whenever a court contemplates encroaching on the role of the jury, it should recall that the jury is central to the democratic system envisioned by our Founding Fathers." Court found evidence at trial sufficient to establish willful infringement, as defendant "made no effort to curb its infringement after becoming aware that plaintiff's photographs had been used without license or that books had been printed exceeding defendant's license." With respect to jury's calculation of damages, court did not consider disparity between actual harm and statutory damages award. Rather, given evidence at trial establishing willful infringement, jury had discretion to award statutory damages not only for compensatory and restitutionary purposes, but also punitive and deterrent purposes. Accordingly, court found, "to the extent that the jury's award was intended in part to deter and punish defendant," award was neither erroneous nor excessive, and did not "shock the conscience."

CJ Productions, LLC v. Your Store Online, LLC, No. 11-9513, 2012 U.S. Dist. LEXIS 143336 (S.D.N.Y. Oct. 2, 2012)

District court adopted magistrate judge's Report and Recommendation for damages in copyright infringement suit. Plaintiff sued defendants for copyright infringement of plaintiff's "Pillow Pets." Defendant defaulted, and plaintiff sought damages in amount of $2,109,314.36. Damages request consisted of statutory damages of $150,000 for each of 14 registered copyrights, attorneys' fees of $8,475.67, and costs of $838.69. Matter was referred to magistrate judge, who issued Report and Recommendation granting plaintiff's request in part. Court found parties' failure to object to Report and Recommendation constituted waiver of objections. Court found magistrate judge properly determined maximum statutory damage award of $150,000.00 per work was not appropriate in this case because (1) defendant was not put on notice by court; (2) defendant ceased sales once it was sued; and (3) plaintiff failed to provide evidence of defendant's profits from infringements. Court found magistrate judge's recommendation of statutory damages in amount of $25,000.00 per work infringed appropriate based on precedent. Court also agreed with magistrate judge that attorneys' fees were not appropriate in this case, as it was well-settled principle in Second Circuit that court cannot award such fees without contemporaneous time records. Finally, court agreed with magistrate judge's recommendation that costs should be awarded in amount of $390.00 — $350.00 for filing fee, and $40.00 for service of process fee — because plaintiff failed to provide any documentation as to why it deserved $838.69. Court therefore adopted Report and Recommendation in its entirety, granting plaintiff $350,000 in statutory damages, and $350.00 in costs.

Sony BMG Music Entertainment v. Tenenbaum, No. 07-11446, 2012 U.S. Dist. LEXIS 119243 (D. Mass. Aug. 23, 2012)

District court upheld jury's statutory damages award of $675,000, finding it reasonable and not offensive to due process. Plaintiff record companies sued individual defendant for copyright infringement based on defendant's downloading and distributing of thirty copyrighted works through peer-to-peer file sharing software. Jury awarded damages in amount of $22,500 per infringement, and defendant moved for new trial or common law remittitur, arguing excessiveness of award offended due process. District judge bypassed issue of remittitur, but lowered award, finding it unconstitutionally excessive under *BMW of North American v. Gore*, 517 U.S. 559 (1996), which provides guideposts for reasonableness of punitive damage awards. First Circuit affirmed district court's finding of liability and granting of injunctive relief, but vacated ruling that damage award violated due process, holding doctrine of constitutional avoidance required court to

consider whether remittitur was appropriate before considering due process challenge. First Circuit reinstated jury award, and remanded case for consideration of defendant's motion for common law remittitur. On remand, district court found no basis for remittitur. Remittitur is appropriate only if award is "grossly excessive, inordinate, shocking to the conscience of the court, or so high it would be a denial of justice to permit it to stand." Here, jury determined award after evaluating harm caused to music industry, and willfulness of defendant's actions, as infringement period lasted eight years and defendant continued to infringe despite warnings from various sources, including Sony. Jury found ample evidence of willfulness and need for deterrence, and awarded damages not only at low end of statutory range for willfulness, but below statutory maximum for non-willful infringement. Court then turned to question of due process challenge. Court stated First Circuit found lower court's reliance on *Gore* inappropriate, as *Gore* involved punitive awards, rather than statutory penalties. Court therefore relied on *St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63 (1919), under which statutory damages awards comport with due process provided they "cannot be said to be so severe and oppressive as to be wholly disproportioned to the offense or obviously unreasonable." Court considered Congress's basis for establishing statutory damages in copyright infringement cases, including public harm caused by such infringement. Due to deference afforded to Congress's statutory award determination in copyright cases, defendant's willfulness in this particular case, and fact that damages were at low end of statutory range, court upheld award.

Bouchat v. Baltimore Ravens, L.P., No. 08-397, 2012 U.S. Dist. LEXIS 182053 (D. Md. Dec. 27, 2012)

District court awarded reasonable compensation, rather than injunction, to plaintiff in infringement case against Baltimore Ravens for "Flying B Logo." Plaintiff Bouchat created potential logos for Ravens when team moved to Baltimore in 1995. Logos were sent to NFL and Ravens, who used Bouchat's design without permission to create "Flying B Logo." Bouchat sued successfully, but was awarded no damages, and in 1999 Ravens adopted new logo. However, in 2008, Bouchat discovered that Ravens used Flying B Logo in three ways: (1) sale of season highlight films showing 1996–98 Ravens; (2) display at football games of film clips of Ravens' team from 1996–98; and (3) display at Ravens team headquarters of photographs of players and memorabilia. Bouchat sued, and district court found uses were fair. Fourth Circuit reversed in part, finding use in highlight films and in clips shown at games were not fair use, and remanded case to district court. District court relied on *Abend v. MCA*, 863 F.2d 1465 (9th Cir. 1988), in which court found movie *Rear Window* to have

infringed copyright in literary work, but injunction was found to be inappropriate, as success of movie was based on factors in addition to underlying literary work (i.e., performances of actors); court therefore awarded copyright owner reasonable compensation rather than injunction. Court analogized instant case to *Abend*, and determined that Bouchat should be awarded fair market value of license for infringing use. Court, considering all evidence relevant to hypothetical negotiations between Bouchat and Ravens, determined that Ravens would pay one-time royalty fee for use of logo in highlight film. Court found that Ravens would offer more than plaintiff could rationally hope to recover in litigation, and would pay "premium" based on ability to avoid "gap" in collection of highlight films for sale. Court calculated $721.65 to be reasonable amount. Court also assessed amount Bouchat would recover for use of logo in clips at Ravens' games. Court found no principled basis to determine fair amount, and instead found it reasonable to permit future use of clips at games, provided Ravens pay Bouchat $100.00 per use.

Broadcast Music, Inc. v. Nolan Enterprises, No. 11-705, 2013 U.S. Dist. LEXIS 4918 (S.D. Ohio Jan. 11, 2013)

Plaintiff performing rights organization sued defendant strip club operator for infringement arising from defendant's performance of four copyrighted musical compositions at defendant's club without license or permission. Following discovery, plaintiff moved for summary judgment. Defendant did not contest plaintiff's ownership of copyright in works, or its infringement of works at issue; defendant argued only that infringement was not willful. Court found defendant's self-serving affidavit, stating that it did not willfully disregard or infringe plaintiff's copyrights, insufficient to establish genuine issue of material fact. Turning to liability, court found defendant corporation liable for infringement regardless of whether it had knowledge of music played at club. Court enjoined defendants from further unauthorized performances of plaintiff's compositions, noting plaintiff had established past infringement by defendants and persistent disregard of plaintiff's offers to license works to defendants. Finding that plaintiff had established defendant's willful infringement, court also awarded plaintiff statutory damages in amount of $20,000, and attorneys' fees in amount of $15,370.91. Court emphasized plaintiff's efforts to avoid litigation, plaintiff having sent defendant more than twenty letters, called defendant's club seventy-nine times, and sent representatives to defendant's club on four occasions over course of two years.

Broadcast Music, Inc. v. Edcon Enterprises, LLC, No. 11-1950, 2012 U.S. Dist. LEXIS 162544 (E.D. Mo. Nov. 14, 2012)

Plaintiff performing rights organization brought suit for infringement based on defendants' unauthorized public performance of seven copyrighted musical compositions at neighborhood bar. Court previously ruled that defendant was liable for infringement based on those public performances. Plaintiff thereafter sought statutory damages of $35,000 (or $5,000 per musical composition). Court held that defendant's pattern of repeatedly ignoring plaintiff's offers of license, and later, plaintiff's cease-and-desist letters, occurring over period of at least sixteen months, at minimum constituted reckless disregard for plaintiff's copyrights sufficient to support finding of willfulness. Nonetheless, while recognizing deterrent purpose of statutory damages, court held that plaintiff's requested statutory damages award was well in excess of general trend of awarding damages of approximately three times plaintiff's lost license fee. Further, because infringement occurred only at small neighborhood bar, and defendants had entered into licensing agreement with plaintiff within months of filing of lawsuit, facts supported lower award. Accordingly, court awarded plaintiff statutory damages of $5,950, or $850 per copyrighted work, which approximated three times estimated lost license fees that would have been owed by defendant.

New Atlas Dot Com, Inc. v. Pizza Inn I-40 West, Inc., No. 11-149, 2013 U.S. Dist. LEXIS 14603 (W.D. Okla. Feb. 4, 2013)

Court found defendant pizza parlor liable for three times minimum statutory damages award for infringement of plaintiff's copyrighted maps. Defendant displayed unauthorized copies of maps in pizza parlor, and workers relied on maps for delivery orders. Plaintiff sought statutory damages in amount of $15,000.00. Defendant argued damages should be reduced to statutory minimum of $200.00 under § 502(c)(2) because defendant was unaware that he was infringing copyright. Court found defendant did not meet burden to prove he was innocent infringer because (1) copyright notice was on maps; (2) defendant was informed of infringement prior to suit; (3) defendant was informed of infringement by initiation of suit and default judgment; and (4) defendant acknowledged notice of infringement in letter to plaintiff responding to suit. Despite repeat notices, defendant never removed maps from wall, and continued to deny infringement even during trial. Court stated award of $2,250 was reasonable because it would impress upon defendant legal protections afforded by copyright law. Award was reasonable even though plaintiff's actual damages were minimal, because plaintiff established that it suffered loss due to infringement, and provided court with undisputed evidence that defendant benefitted from infringement.

B. Attorneys' Fees

Mattel, Inc. v. MGA Entertainment Inc., 705 F.3d 1108 (9th Cir. 2013)

Ninth Circuit affirmed district court's award of fees to defendant under Copyright Act. Court noted that most important factor in determining whether to award attorneys' fees is whether award of fees furthers purpose of Copyright Act. According to district court, defendant secured public's interest in "a robust market for trendy fashion dolls populated by multiple toy companies," and defendant's " failure to vigorously defend against Mattel's claim could have ushered in a new era of copyright litigation aimed not at promoting expression but at stifling the 'competition' upon which America thrives." Ninth Circuit found that district court did not abuse its discretion in granting defendant attorneys' fees. Court found plaintiff's argument that its claim was objectively reasonable, and that therefore defendant was not entitled to fees, not proper standard, since copyright defendant no longer must show that plaintiff's claim was frivolous or made in bad faith in order to be entitled to fees. Therefore, even if plaintiff's claims were objectively reasonable, district court did not abuse its discretion in awarding fees to defendant.

SOFA Entertainment, Inc. v. Dodger Productions, 709 F.3d 1273 (9th Cir. 2013)

Plaintiff copyright owner sued defendant musical theatre producer for copyright infringement based on use of seven-second clip from *The Ed Sullivan Show* in live performances of musical *Jersey Boys*, biographical account of lives and career of The Four Seasons. On cross-motions for summary judgment, district court granted summary judgment to defendant on fair use defense, and awarded defendant $155,000.00 in attorneys' fees. Plaintiff appealed. Ninth Circuit affirmed fair use finding and held award of attorneys' fees was justified, noting that "[i]n light of the education SOFA received as the plaintiff in *Elvis Presley Enterprises, Inc. v. Passport Video*, 349 F.3d 622 (9th Cir. 2003)], SOFA should have known from the outset that its chances of success in this case were slim to none." Court agreed with district court that lawsuits of this nature have chilling effect on creativity insofar as they discourage fair use of existing works in creation of new ones. When fee award encourages defendant to litigate meritorious fair use claim against unreasonable infringement claim, policies of Act are served. Court therefore concluded that award of attorney fees to Dodger was justified.

Ramirez v. Nichols, 496 Fed. App'x 383 (5th Cir. 2012)

Fifth circuit vacated attorneys' fees award under 17 U.S.C. § 505 and remanded. Circuit acknowledged that attorneys' fees awards are "the rule rather than the exception and should be awarded routinely." Appellant argued that district court ignored his argument regarding § 412, which proscribes award of fees for "any infringement of copyright in an unpublished work commenced before the effective date of its registration; or any infringement . . . commenced after first publication of the work and before the effective date of its registration, unless such registration is made within three months after the first publication of the work." Since district failed to provide detailed analysis regarding § 412, fees award was vacated and case was remanded.

Pearson Education, Inc. v. Almgren, 685 F.3d 691 (8th Cir. 2012)

Eighth Circuit affirmed denial of award of attorneys' fees with respect to successful infringement claims against bankruptcy estate. Defendant contacted plaintiff publishers and represented himself as college professor in need of instructor's solutions manuals for textbooks. Publishers provided manuals, and defendant sold them through websites, realizing about $5,000 in gross profits. On learning of defendant's trafficking in unlicensed copies, publishers did not send cease and desist letters, but instead filed infringement suit in Southern District of New York, seeking to "make an example of" defendant through litigation. Cost of litigation rendered defendant insolvent, and he filed for Chapter 7 bankruptcy protection in District of Minnesota. Publishers initiated adversarial proceeding in bankruptcy court, seeking declaration that any damages owed on their copyright claims were non-dischargeable in bankruptcy. Bankruptcy court made finding of willful infringement, but struck demand for jury trial and awarded minimum $14,250 in statutory damages, deemed non-dischargeable in bankruptcy. Bankruptcy court denied publishers' motion for attorney's fees, reasoning that publishers could have caused defendant to cease activities without spending $90,000 in litigation. Publishers appealed decision to district court. District court affirmed, finding publishers waived right to jury trial on copyright liability and damages by filing proofs of claim in bankruptcy court, and that bankruptcy court relied on appropriate factors in denying fees. Eighth Circuit affirmed. While, as general matter, right to jury trial includes right to have jury determine amount of statutory damages in copyright case, here publishers relinquished right when they filed claims against bankruptcy estate, under U.S. Supreme Court precedent in *Langenkamp v. Culp*. Bankruptcy court found award of fees inappropriate because (1) publishers likely could have stopped defendant prior to litigation with simple cease-and-desist letter; (2) publishers filed suit "in the busiest, largest, and furthest away court they could find" in effort to

scare defendant; (3) publishers resisted court's efforts to encourage settlement; and (4) publishers' "spare-no-expenses" litigation strategy was unreasonable. "While a different court might have weighed the factors in this case differently, we cannot say that the bankruptcy court committed a clear error of judgment in finding that an award of attorney's fees would not 'advance considerations of compensation and deterrence' in these 'particular circumstances.'"

Effie Film, LLC v. Pomerance, No. 11-7087, 2013 U.S. Dist. LEXIS 58813 (S.D.N.Y. Apr. 24, 2013)

Plaintiff, film production company, brought suit against defendant, author of screenplays, seeking declaration of non-infringement concerning plaintiff's motion picture *Effie*, based on famous Victorian love triangle. Court previously granted plaintiff's motion for summary judgment of non-infringement, holding that overall "concept and feel" of works defeated any claim of substantial similarity. Plaintiff moved for attorneys' fees. Upon review of governing factors, court denied plaintiff's motion. First, court held that defendant's copyright concerns were not "objectively unreasonable," since works of history and historical fiction present unique complexities; governing copyright case, *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972 (2d Cir. 1980), had generated significant debate and controversy among scholars and practitioners; and there was scarce precedent squarely addressing copyright issues involved. Further, plaintiff's original script, against which defendant had first raised copyright concerns, was significantly more similar than subsequent versions, and therefore defendant's initial copyright case would have been "stronger." Second, defendant litigated her claims in proper manner, and did not employ dilatory, vexatious or other harassing tactics. Third, because defendant's position was not objectively unreasonable, there was strong presumption that award of attorneys' fees would not promote purposes of Copyright Act. Rather, in helping to present court with opportunity to address unique issue of copyright law, defendant furthered policy of "bringing further clarity to the law."

Authors Guild, Inc. v. Hathitrust, No. 11-6351, 2013 U.S. Dist. LEXIS 22370 (S.D.N.Y. Feb. 14, 2013)

After granting defendant libraries/inventors' motions for summary judgment, court denied defendants' motion for costs and attorneys' fees. In underlying action, court had concluded that defendants' participation in certain digitization projects and libraries constituted fair use. Court reasoned that copyright law's goal of promoting scientific progress would be better served by allowing use than preventing it. However, court rejected defendants' arguments that they alone should "be rewarded for advancing

the purposes of copyright in this litigation," by award of costs and attorneys' fees. Court reasoned that it was "plaintiffs and defendants together who by their advocacy helped delineate the respective rights of creators and users," and while plaintiffs' arguments were ultimately unpersuasive, that did not mean that they were necessarily legally or factually unreasonable. Purposes of copyright law would not be furthered by penalizing authors for protecting their rights, and court encouraged authors to protect their rights in future. Accordingly, motion for attorneys' fees was denied.

Keeling v. New Rock Theater Productions, LLC, No. 10-9345, 2013 U.S. Dist. LEXIS 33349 (S.D.N.Y. Mar. 11, 2013)

Court denied plaintiff's motion for attorneys' fees, finding defenses were not unreasonable. Jury found that defendants infringed plaintiff's copyright in theatrical production *Point Break LIVE!*, parody of film *Point Break*, and court permanently enjoined defendants from staging additional infringing performances of work. Copyright Act provides that in court's discretion, reasonable attorney's fees can be granted to prevailing party in copyright infringement suit. Court considers (1) frivolousness of non-prevailing party's claims or defenses; (2) party's motivation; (3) whether claims or defenses were objectively unreasonable; and (4) compensation and deterrence. Court gave substantial weight to whether claims were objectively unreasonable. While defendant's claim that work of parody was not protectible by copyright law was completely devoid of merit, court found that defendant had other arguments that were not objectively unreasonable. Specifically, defendants argued that *Point Break LIVE!* was joint work and that on its face, testimony of alleged coauthor lent some evidentiary support to defendants' assertion that alleged coauthor was joint author of work, such that defense was not unreasonable. Similarly, court found that defendant raised legitimate factual issue regarding whether one of defendants owned or controlled defendant theater company, and whether he could be vicariously liable for other defendants' infringement.

Gordon v. McGinley, No. 11-1001, 2013 U.S. Dist. LEXIS 49794 (S.D.N.Y. Mar. 27, 2013)

Court granted defendants' motion for attorneys' fees. Court had dismissed underlying suit, which concerned alleged copying by defendant photographer of 150 images previously published by plaintiff, for failure to meet basic pleading threshold for copyright infringement. Defendants sought attorneys' fees on grounds that plaintiff's action was objectively unreasonable, and that award of fees would serve interests of compensation and deterrence. Court agreed, holding plaintiff's action objectively unreasonable because (1) numerous differences of coloration, orientation,

subject, and medium added up to radically different total concepts and overall feels in respective artists' works; and (2) plaintiff, evidently recognizing dissimilarity between works, resorted to manipulating works in order to make defendant's images appear more similar to her own. Awarding attorneys' fees would also serve twin interests of compensating defendants for costs and deterring plaintiffs from bringing unreasonable copyright actions. Accordingly, court granted motion for fees. However, court awarded only $10,000, despite estimated fees of $250,000, reasoning that plaintiff's financial distress weighed in favor of awarding reduced amount, since award of full amount would be "ruinous debt Defendant likely could never repay."

Zalewski v. T.P. Builders, Inc., Nos. 10-876, 11-1156, 2012 U.S. Dist. LEXIS 166263 (N.D.N.Y. Nov. 21, 2012)

District court granted defendants' motions for attorneys' fees and costs. Plaintiff's third amended complaint for infringement of architectural work was dismissed, and judgment entered for defendants. District court held that third amended complaint was not objectively unreasonable, since there was no clear circuit law on "the threshold between those architectural works that are sufficiently specific to warrant protection" or "the appropriate test for substantial similarity where the work is only protectable as a compilation." Third amended complaint, accordingly, "will contribute to the demarcation of the boundaries of copyright law," and was not objectively unreasonable. However, court held that defendants were entitled to fees incurred defending against first three complaints, since "the description of the alleged infringement is nearly unintelligible," complaints did not include copies of works or proof of copyright registration, plaintiff named defendants that "bore no culpability," and complaints were "strewn with legal conclusions." Court, however, found both number of hours claimed and hourly rates excessive, and reduced reasonable hourly rates to $275 per hour for partners, $200 per hour for attorneys with at least four years of experience, $170 per hour for attorneys with less than four years of experience, and $90 per hour for paralegals.

DC Comics v. Pacific Pictures Corp., No. 10-3633, 2013 U.S. Dist. LEXIS 49119 (C.D. Cal. Apr. 4, 2013)

Plaintiff brought suit to secure its claimed interest in Superman copyrights after heirs of illustrator, Joseph Shuster, served plaintiff with termination notice purporting to recapture early Superman works. Court previously granted plaintiff's motion for partial summary judgment on its claims seeking (1) declaration that termination notice was invalid, and (2) judgment that defendants' agreements purporting to assign Superman copyrights to third party violated Copyright Act. Plaintiff now moved for attorneys'

fees only with respect to latter claim against individual defendant Marc Toberoff, who had served as Shuster heirs' attorney. Upon review of governing factors, court denied plaintiff's motion for fees. First, plaintiff had achieved only "limited" success on claim, since disposition of claim merely provided plaintiff with freedom to unilaterally negotiate with Shuster family without heirs' consent. Second, defendants' position was neither frivolous nor objectively unreasonable because it rested on several primary and secondary authorities and "sought to explore the boundaries of a relatively green area of copyright law." Third, defendants' motivation to defend against lawsuit was understandable, since they risked losing their multimillion-dollar Superman rights. In contrast, plaintiff's seeking attorneys' fees solely against defendant Toberoff based on narrow claim involving contract that he had signed only as heirs' attorney "smack[ed] of animus" toward defendant Toberoff. Fourth, considerations of compensation and deterrence did not favor award. Because millions of dollars were at stake, potential copyright claimants such as plaintiff possessed incentives to bring suit independent of attorneys' fees award. Further, there was no infringement to deter; case instead involved good-faith copyright ownership dispute. Finally, balance of equities weighed against awarding requested attorneys' fees, as granting such award would send improper message to copyright defendants that "litigating a claim with good-faith, supported defenses is wrong."

National Center for Jewish Film v. Riverside Films, LLC, No. 12-44, 2012 U.S. Dist. LEXIS 178363 (C.D. Cal. Dec. 14, 2012)

District court granted defendants' motion for costs and attorneys' fees. Court had previously granted defendants' motion for summary judgment that use of copyrighted film materials was fair use. Court held that in light of circuit law on transformative use, plaintiff's claims were "objectively unreasonable, bordering on frivolous." Moreover, defendants brought relevant case law to attention of plaintiff. Court also found that plaintiff used sharp discovery tactics designed to coerce settlement, and further held that litigating nuisance value lawsuits inherently has aspects of bad faith. Court held that defendants were entitled to $4,177.57 in costs, and attorneys' fees in amount of $129,807.50.

Design Ideas, Ltd. v. Yankee Candle Company, Inc., No. 10-3217, 2013 U.S. Dist. LEXIS 4447 (C.D. Ill. Jan. 11, 2013)

Plaintiff sued defendant for distributing glass sculptures that copied plaintiff's "Regatta" sculptures. Court granted defendant's motion for summary judgment, finding works not subject to copyright protection. Defendant moved for attorneys' fees as prevailing party, and argued that 28 U.S.C. § 1927 provided additional basis for award of attorneys' fees

because plaintiff's intentional failure to disclose to both court and defendant that copyright application for sculptures had been rejected by Copyright Office prolonged litigation and resulted in defendant incurring unnecessary fees. Court compared attorneys' rates to other attorneys in region, reduced billed time for secretarial tasks, irrelevant tasks, and tasks where two attorneys' time was billed for single telephone conference, and awarded defendants total of $118,305 in attorneys' fees, $25.96 in costs and $342.50 in expenses. Court then analyzed defendant's claim under § 1927, and found plaintiff's counsel misled defendants and court by alleging plaintiff had valid registration for sculptures, when Copyright Office had refused plaintiff's request. Had true status of registration been disclosed, defendants could have avoided research. Court concluded that award of attorneys' fees under § 1927 was warranted, and ordered plaintiff's counsel to pay $10,000 of total attorneys' fees award to defendants, as joint obligation of plaintiff's attorneys and plaintiff.

Estate of Brown v. Arc Music Group, No. 10-7141, 2012 U.S. Dist. LEXIS 116394 (N.D. Ill. Aug. 17, 2012)

District court granted defendant's motion for attorneys' fees. Plaintiff's copyright infringement action against defendant centered on musical compositions *This New Generation*, *Dark Road Blues*, and seventy-seven other compositions. Court found that for *This New Generation* and *Dark Road Blues*, plaintiff alleged copyright infringement against co-author, making liability impossibility. For remaining compositions, plaintiff alleged infringement without first establishing copyright ownership or satisfying registration prerequisite for infringement actions. Court granted defendants' motion to dismiss for failure to state claim. On defendants' motion for attorneys' fees, court addressed its discretion under Copyright Act to award prevailing party reasonable attorneys' fees. Under *Assessment Technolgies of WI, LLC v. WIREData, Inc.*, 361 F.3d 434 (7th Cir. 2004), two important considerations are strength of prevailing party's case and amount of relief obtained by prevailing party. When claim is frivolous, and prevailing party is defendant who has not otherwise obtained monetary relief (through counterclaim, for example), presumption in favor of attorneys' fees award is "compelling." Court found that plaintiff's filing of infringement claims against admitted co-author of some works, and failing to even allege ownership of other works, merited granting attorneys' fees to defendant.

Jacobs v. Memphis Convention & Visitors Bureau, No. 09-2599, 2012 U.S. Dist. LEXIS 137344 (W.D. Tenn. Sept. 7, 2012)

Magistrate judge issued report recommending that plaintiff be awarded reasonable attorneys' fees and costs. Jury awarded plaintiff $54,000 dam-

ages for infringement of photographs. Court held that plaintiff was prevailing party, even though plaintiff did not succeed on all claims and recovery was modest. Defendant argued that billing for two experienced attorneys' time for depositions and preparation for mediation was unreasonable. Court held that it was reasonable for two attorneys to be present at deposition, but unreasonable for both to prepare for mediation. Defendant also argued that plaintiff should not recover attorneys' fees for work performed on unsuccessful claims. Plaintiff argued that work for successful and unsuccessful claims was mostly related. Court found that most claims were not sufficiently distinct to parse successful claims from unsuccessful claims, and held most claims to be reasonable. Defendant argued that plaintiff's award should be reduced for his unsuccessful claim for indirect profits, and plaintiff conceded point.

Cambridge University Press v. Becker, No. 08-1425, 2012 U.S. Dist. LEXIS 123154 (N.D. Ga. Aug. 10, 2012)

Court awarded defendants their reasonable attorneys' fees after finding defendants infringed in only five of 126 alleged instances of copyright infringement. Publisher plaintiffs brought suit for infringement against state officials for public university system. Both sides sought award of their attorneys' fees in litigation. To make award of attorneys' fees, court must determine which side is prevailing party. Here, both sides succeeded as to certain of their objectives. Court found that defendants changed state university system's copyright policy in response to lawsuit, to benefit of plaintiffs, and plaintiffs were thus successful in that respect. On other hand, defendants prevailed on all but five copyright claims at issue when trial of case began. Court thus found that defendants were prevailing parties. Copyright Act leaves award of costs and attorneys' fees to court's discretion. Eleventh Circuit has held that in copyright cases, "the only precondition to the award of attorney's fees is that the party be a prevailing one." *Sherry Manufacturing Co. v. Towel King of Florida, Inc.*, 822 F.2d 1031, 1034 (11th Cir. 1987). Prevailing party is not required to show that losing party acted in bad faith or attempted to maintain frivolous claim. Plaintiffs chose to litigate ninety-nine claims out possible 126 claims up to beginning of trial. Plaintiffs then dropped twenty-five claims, and added one, during trial. As to remaining seventy-five claims, no *prima facie* case was proven in twenty-six instances, no digital permissions were unavailable in thirty-three instances, and no digital or hard copy permissions were available in eighteen instances. Court did not doubt plaintiffs' good faith in bringing suit, and there was no controlling authority governing fair use in nonprofit educational setting; however, plaintiffs' failure to narrow their individual infringement claims significantly increased cost of defending

suit. Accordingly, court awarded defendants their reasonable attorneys' fees.

New Atlas Dot Com, Inc. v. Pizza Inn 1-40 West, Inc., No. 11-149, 2013 U.S. Dist. LEXIS 62721 (W.D. Okla. May 2, 2013)

District court denied plaintiff's motion for attorneys' fees and costs. Court entered judgment in favor of plaintiff on copyright infringement claim, awarded statutory damages of $2,250.00, and ordered defendant to return all infringing copies of copyrighted works at issue. Clerk also taxed costs in amount of $698.70. Plaintiff sought award of attorneys' fees in amount of $25,484.00. Defendant argued that no award was warranted, and that amount sought was excessive. Copyright Act authorizes award of reasonable attorneys' fees to prevailing party as matter of court's discretion. Supreme Court-endorsed list of nonexclusive factors to guide courts as to whether fees are appropriate includes frivolousness, motivation, objective unreasonableness and need in particular circumstances to advance considerations of compensation and deterrence. In considering such factors, courts must be faithful to purposes of Copyright Act, to encourage creative work and promote broad public availability. Neither party expressly acknowledged pertinent factors. Plaintiff argued that defendant relied on frivolous defenses, and refused to cease infringing conduct for months after being served process. Plaintiff stated purposes of Copyright Act would be furthered by imposing fees and costs because defendant burdened court with litigation, claiming its purposeful acts were innocent. Defendant argued that it presented substantial defense, and plaintiff's position regarding damages prevented mutual compromise and settlement. Defendant also argued that it incurred substantial amount of fees in defense, and urged court to find each party should bear own fees. Court found that defendant did not put on frivolous defense. Additionally, court found that while plaintiff sued to stop defendant from infringing, its argument that its litigation was motivated by defendant's refusal to stop infringement was not supported. Defendant offered to return infringing maps from first time its representative appeared in case, but plaintiff demanded substantial damages. Court agreed with defendant that plaintiff's request for high statutory damages was ungrounded, and only minimal damages were appropriate. Court therefore found that purposes of Copyright Act would not be served by awarding attorneys' fees; parties each bore responsibility for course of litigation, and each achieved some measure of success.

C. Injunction/Impoundment

WNET v. Aereo, Inc., 712 F.3d 676 (2d Cir. 2013)

Plaintiffs, owners of copyrights in programs broadcast on network television, brought suit for infringement against defendant, which offered "Aereo" service that enabled subscribers to watch broadcast television programs over Internet for monthly subscription fee. Plaintiffs moved for preliminary injunction on ground that defendant's transmission of programs while still airing infringed their public performance right. Second Circuit affirmed lower court's denial of preliminary injunction, owing primarily to plaintiffs' failure to show likelihood of success on merits. Court's prior decision in *Cartoon Networks, LP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008) ("*Cablevision*"), holding that Cablevision's Remote Storage DVR system did not infringe plaintiffs' public performance right, was controlling. In *Cablevision*, court narrowly construed "transmit clause" by holding that courts must look to who is "capable of receiving" particular transmission to determine if performance is public. *Cablevision* found that transmission of unique copy of program, accessible and transmitted only to user who requested that copy, limited potential audience of that transmission. Therefore, because DVR technology at issue in *Cablevision* involved discrete transmission of each user's unique playback copy of television program to that user, potential audience "capable of receiving" that performance was limited to that user, thereby rendering it private, not public, performance. In instant case, court held that defendant's service was not materially distinguishable from service at issue in *Cablevision* and, accordingly, defendant's transmissions did not infringe plaintiffs' public performance right. As in *Cablevision*, defendant's "Aereo" service created unique copy of each television program for each subscriber who requested that program; each transmission ultimately made to subscriber came from that unique copy; and transmission of that unique copy was made solely to requesting subscriber, such that performance was directed to limited, non-public audience. Furthermore, court's factual determination that antennas that transmitted programs functioned "independently" from one another reinforced holding that copies were "unique" and transmitted only to particular users. Court rejected plaintiffs' attempts to distinguish instant case from *Cablevision*, finding that plaintiffs improperly gave controlling significance to facts (e.g., time-shifting) upon which *Cablevision*'s holding did not rely. Due to overall factual similarity between defendant's "Aereo" Internet service and Cablevision's DVR service, court concluded that "[defendant's] service falls within the core of what *Cablevision* held lawful," and thus held that plaintiffs failed to show likely success on merits. With respect to other preliminary injunction factors, while court held that plaintiffs demonstrated irreparable harm

absent injunction, balance of hardships did not tip decidedly in plaintiffs' favor because defendant had made substantial investments in developing and launching service that was likely lawful in nature. Accordingly, on balance, plaintiffs did not demonstrate entitlement to preliminary injunction.

Keeling v. New Rock Theater Productions, LLC, No. 10-9345, 2013 U.S. Dist. LEXIS 33347 (S.D.N.Y. Mar. 11, 2013)

Jury found that defendants infringed plaintiff's copyright in theatrical production *Point Break LIVE!*, parody of film *Point Break*, and court permanently enjoined defendants from staging additional infringing performances of work. Defendant moved to stay enforcement of injunction pending appeal with Second Circuit. Whether to stay enforcement of injunction pending appeal is in court's discretion. However, movant has burden of demonstrating that circumstances justify court's exercising discretion to grant stay. In considering whether movant has met burden, court considers (1) whether movant has made strong showing that it is likely to succeed on merits; (2) whether applicant will be irreparably injured absent stay; (3) whether stay will substantially injure other parties interested in proceeding; and (4) where public interest lies. Court recognized that permanent injunction could cause significant hardship for defendant, and that defendant would be more greatly injured by erroneous decision denying stay than plaintiff would be by erroneous decision granting stay. Nonetheless, importance of these considerations is conditioned upon defendant's likelihood of success on appeal. Court found defendant's likelihood of success on appeal remote. Although defendant agreed that parody could be entitled to copyright protection, defendant argued that plaintiff's script consisted only of dialogue original to film *Point Break*, with non-copyrightable elements such as stage directions and theatrical devices, so that there was no residue of copyrighted material in *Point Break LIVE!* Court found that even though production did not include any protectible elements, copyright law protects, in addition to copyrightable elements, creative decision by author in arranging unprotectible elements. Therefore, plaintiff's script was entitled to copyright protection even if it contained only creative arrangement of unprotectible elements. Defendant's chances on appeal, accordingly, were low, and court denied defendant's motion to stay enforcement of permanent injunction.

Rovio Entertainment, Ltd v. Royal Plush Toys, Inc., 105 U.S.P.Q.2d 1107 (N.D. Cal. Nov. 6, 2012)

Plaintiff, developer of video game "Angry Birds," brought action against defendant toy manufacturers alleging that defendants were intentionally and willfully selling knockoff plush toys in violation of plaintiff's copy-

rights. Court denied plaintiff's *ex parte* motion for temporary restraining order, holding plaintiff failed to show immediacy of harm, and therefore had not shown good cause to be excused from notice requirement of Fed. R. Civ. P. 65(b)(1). Court reasoned that, contrary to plaintiff's assertions, mere allegation that defendant is engaged in counterfeiting and thus has incentive to destroy evidence, without more, is insufficient for granting *ex parte* TRO or seizure order. Court also found plaintiff had not demonstrated requisite good cause justifying expedited discovery because (1) information sought was not necessary to obtain preliminary injunction; (2) plaintiff had not shown it might lose opportunity for meaningful discovery due to defendants' deceptive practices; and (3) plaintiff had not shown that discovery request was narrowly tailored to obtain information relevant to preliminary injunction determination. Court, however, granted plaintiff's request for order to show cause why preliminary injunction should not issue, construing plaintiff's *ex parte* motion for TRO as motion for preliminary injunction, and noting that evidence submitted by plaintiff raised serious issues of counterfeiting.

Fox Broadcasting Co. Inc. v. Dish Network, LLC, 105 U.S.P.Q.2d 1541 (C.D. Cal. Nov. 7, 2012)

Court denied plaintiffs' motion for preliminary injunction despite showing of likelihood of success on merits. Plaintiffs, owners of copyrights in various television programs airing on Fox Network, entered into non-exclusive license agreement with defendant in 2002 permitting defendant to retransmit Fox broadcasts to defendant's subscribers. In 2012, defendant announced two new subscriber features: (1) "PrimeTime Anytime" ("PTAT"), enabling subscribers to record all prime time programming available on four major broadcast networks, including Fox, every night of week; and (2) "AutoHop," enabling subscribers to "skip" commercials in PTAT recordings through use of remote control. Plaintiffs brought suit for direct and derivative infringement, and moved for preliminary injunction on copyright claims. Court denied plaintiffs' motion. First, court found that plaintiffs had not shown likelihood of success on derivative infringement claims. Under precedent set by *Sony Corp. v. Universal City Studios*, 464 U.S. 417 (1984), which held that provision of copying equipment that could be used for "legitimate, unobjectionable purposes" did not create contributory liability, plaintiffs had failed to identify theory under which defendant's subscribers could be held liable for direct infringement; there was no evidence that consumers used PTAT copies for anything other than private time-shifting in their homes or on their mobile devices. Without evidence of direct infringement by subscribers, plaintiffs' derivative infringement claims necessarily failed. Next, court examined plaintiffs' likelihood of success on direct infringement claims. Because evidence showed

that copies of works were made locally and disseminated only within individual households, defendant's accused technologies did not infringe plaintiffs' distribution right. Second, with respect to reproduction right, court examined each accused technology in turn. While there were indicia that defendant exercised "control" over copying process in connection with PTAT technology, because ultimately it was defendant's subscribers who took initial step to make copies of copyrighted works, rendering them "the most significant and important cause" of copying, defendant did not directly infringe through PTAT technology. However, court held that AutoHop technology infringed plaintiffs' reproduction right. Defendant's use of copies of plaintiffs' works was not protected by fair use doctrine, since (1) copies were made for commercial purpose of "providing a high-quality commercial skipping product"; (2) copyrighted works at issue were primarily creative works; (3) copyrighted works were duplicated in their entirety; and (4) AutoHop technology threatened to reduce value of right to copy plaintiffs' television programs and undermine plaintiffs' relationships with licensees who paid for that right. Court noted that defendant's infringing conduct caused plaintiffs some degree of harm, but held nonetheless that harm was not irreparable in nature, but instead was economic, "essentially contractual" injury that was compensable by money damages. Thus, despite showing of likelihood of success on merits, court denied plaintiffs' motion for preliminary injunction due to lack of irreparable injury.

D. Sanctions

AF Holdings, LLC v. Doe, No. 12-6636, 2013 U.S. Dist. LEXIS 16924 (C.D. Cal. Feb. 7, 2013)

District court issued order to show cause to counsel for plaintiff to appear before court to justify Rule 11 violations. In several actions brought by plaintiff against various Does for infringement of pornographic materials over Internet, court ordered plaintiff to show cause why it failed to timely serve defendant. In response, plaintiff asserted that any delay was because it waited to receive response from subscriber of IP address associated with alleged act of infringement. If subscriber remained silent, plaintiff conducted investigation of subject household and determined "likely infringer," and filed amended complaint to substitute "likely infringer" for Doe. By presenting pleading to court, attorney certifies that, after conducting reasonable inquiry, factual contentions in pleading have evidentiary support or, if specifically so identified, will likely have evidentiary support after reasonable opportunity for further investigation or discovery. Court found that plaintiff failed to demonstrate reasonable investigation in light of working understanding of underlying Internet technology. First, with regard to investigating whether copyright infringement activity

even occurred, plaintiff's reliance on mere "snapshot evidence" of IP address observed in BitTorrent swarm to establish copyright infringement claims was misplaced. Reasonable investigation should include evidence showing that defendants downloaded at least usable portion of copyrighted work, which cannot be demonstrated with "snapshot evidence." Second, with regard to investigating actual infringer's identity, court found plaintiff's method of identifying actual infringers as members of subscriber's household (and not subscriber himself or anyone else), with knowledge of only subscriber's IP address, name of BitTorrent client used, alleged time of download, and unresponsive subscriber's identify, did not demonstrate requisite reasonable investigation. Court understood plaintiff's investigation to entail no more than determining "if the subscriber is seventy-five years old or female, then plaintiff looks to see if there is a pubescent male in the house; and if so, he is named as the defendant"; and found plaintiff's "factual analysis" to be no more than hunch. Thus, plaintiff's attorney violated Rule 11(b)(3) by filing pleading that lacked factual foundation.

Games Workshop, Ltd. v. Chapterhouse Studios, LLC, No. 10-8103, 2013 U.S. Dist. LEXIS 46466 (N.D. Ill. Apr. 1, 2013)

District court award defendant $1,039.00 in out-of-pocket costs incurred in obtaining previously undisclosed correspondence between plaintiff and Copyright Office. Plaintiff sued defendant alleging infringement of certain designs of "Assault Squad" shoulder pads. Defendant had requested that plaintiff produce "all correspondence with any government agency or private copyright registration service" concerning any work at issue. Plaintiff responded that it believed it had disclosed all responsive documents, but agreed to supplement its production. Thereafter, defendant undertook its own investigation into correspondence between plaintiff and Copyright Office, and received from Copyright Office correspondence regarding "Assault Squad" shoulder pad applications, which revealed several communications between plaintiff and Copyright Office. Plaintiff did not produce any of this correspondence until prompted to in response to later motion by defendant. Rule 26(e) imposes upon party who has responded to request for production of documents duty to supplement its response "in a timely manner" once party learns that response is incorrect or incomplete. If party fails to comply with Rule 26(e)'s requirements, court may order payment of reasonable expenses caused by failure, unless failure "was substantially justified or is harmless." Courts consider (1) any prejudice or surprise to other party; (2) party's ability to cure that prejudice; (3) likelihood of disruption to trial; and (4) evidence of bad faith or willfulness involved in not disclosing evidence earlier. Having considered those factors, court concluded that plaintiff should pay ex-

penses incurred in obtaining correspondence with Copyright Office. Court reasoned that beyond duty to supplement that Rule 26(e) imposes, sanction should be imposed because defendant specifically asked plaintiff to supplement. Rather than do so, plaintiff withheld correspondence that it knew defendant had not received.

Gordon v. Dreamworks Animation SKG, Inc., No. 11-10255, 2013 U.S. Dist. LEXIS 45723 (D. Mass. Mar. 28, 2013)

District court granted in part and denied in part defendants' motion to dismiss on grounds of spoliation. In 2008, defendants released *Kung Fu Panda*, animated film featuring giant panda who becomes kung fu warrior. Plaintiff artist claimed to have created film's main characters in late 1980s and early 1990s as part of his "Panda Power" material, for which he owned several copyright registrations, including 2008 registration for "Book of P.U." Plaintiff sued defendants alleging direct, contributory and vicarious copyright infringement. In 2008, after viewing promotional trailer for *Kung Fu Panda*, plaintiff took all of preexisting "Panda Power" materials and compiled them into book entitled *Book of P.U.* Plaintiff then shredded all preexisting materials and registered *Book of P.U.* with Copyright Office. Defendants argued that court should dismiss plaintiff's claims because he deliberately destroyed all preexisting materials used to compile his 2008 copyright registration. Spoliation is intentional, negligent, or malicious destruction of relevant evidence. Dispute centered on whether plaintiff shredded materials at time when he had duty to preserve them, which arises when litigation is reasonably anticipated. Because plaintiff saw trailer that allegedly contained his artwork and characters, and immediately set about to "preserve" his work with Copyright Office before film's release, court found plaintiff acted while under duty to preserve. Filing registration is statutory prerequisite to copyright infringement suit, and certificate of copyright serves as *prima facie* evidence that registrant independently created work. Furthermore, plaintiff acknowledged contacting his attorneys in 2008, possibly even before filing 2008 copyright registration. Primary considerations in determining appropriate sanction are prejudice to non-spoliating party and degree of fault of offending party. Dismissal is appropriate only when party maliciously destroys relevant evidence for sole purpose of preventing adverse party from examining it. Court concluded that appropriate spoliation sanction was exclusion from evidence of plaintiff's 2008 copyright registration. Such sanction rectified defendants' prejudice in losing opportunity to examine materials that led to creation of *Book of P.U.* Court declined to dismiss case because it was unclear that plaintiff acted in bad faith.

Tilmon-Jones v. Bridgeport Music, Inc., No. 11-13002, 2012 U.S. Dist. LEXIS 138675 (E.D. Mich. Sept. 26, 2012)

Court granted defendants' motion to dismiss complaint and for sanctions in dispute involving ownership of various musical compositions. Songwriter and recording artist Abrim Tilmon entered into several agreements with defendants assigning his interest in musical compositions. Copyrights in compositions came up for renewal after Tilmon's death; plaintiffs contended that these copyrights vested in Tilmon's estate, not defendants. Plaintiffs brought suit for copyright infringement, declaratory judgment and other state-law claims, alleging that defendants falsely and fraudulently claimed and continued to claim ownership and renewal of musical works by, among other things, renewing with Copyright Office. Court held that plaintiffs' claims were barred by unambiguous settlement agreement and broadly worded release executed in earlier action brought by plaintiffs against defendants on similar grounds, in connection with different set of songs. Plaintiffs argued that settlement and release should be set aside because obtained through fraud, but court found argument had been addressed and rejected by court in earlier action. Court further held that claims brought in current action were barred by *res judicata* because they could have been brought previously. Finding plaintiffs filed unmeritorious action lacking factual and legal support, court awarded costs and reasonable attorneys' fees to defendants.

E. Miscellaneous

Star Pacific Corp. v. Star Atlantic Corp., No. 08-4957, 2013 U.S. Dist. LEXIS 22644 (D.N.J. Feb. 20, 2013)

Defendant appealed district court's grant of summary judgment to plaintiff on copyright infringement claims. Plaintiff moved for appeal bond of $47,500. Court noted that Fed. R. App. P. 7's purpose is to protect appellees from appellants that pose payment risks, and stated that because plaintiff already obtained $4.5 million final judgment against defendant, appeal bond would not further ensure appellant's payment of costs on appeal. Court therefore denied appeal bond motion.

VIII. PREEMPTION

Forest Park Pictures v. Universal TV Network, Inc., 683 F.3d 424 (2d Cir. 2012)

Second Circuit vacated Order of U.S. District Court for Southern District of New York granting defendant's motion to dismiss, on ground that breach of contract action was preempted by Copyright Act, and remanded for further proceedings. Plaintiffs developed idea for television series, created writing that embodied it, and submitted idea to defendant. Plaintiffs

alleged implied promise by defendant to pay reasonable compensation if idea was used. When television series allegedly embodying their concept was aired without consent or compensation, plaintiffs sued, alleging breach of implied contract. District court granted defendant's motion to dismiss, finding that Copyright Act preempted breach of implied contract claim. Plaintiffs appealed, arguing that rights granted by contract's implied promise to pay were not equivalent to those protected by Copyright Act. Although subject matter requirement for preemption was met, because complaint alleged that defendant used ideas embodied in written works, and ideas that were subject of claim were fixed in writing, Second Circuit found Act did not preempt claim, because equivalency requirement was not met, since (1) there were several qualitative differences between claim involving implied-in-fact agreement requiring defendant to pay for use of idea and copyright violation claim; and (2) alleged contract required defendant to pay for use of plaintiffs' ideas, and did not simply require defendant to honor plaintiffs' exclusive rights under Copyright Act.

Gordon v. McGinley, Nos. 11-3711, 11-3766, 2012 U.S. App. LEXIS 23273 (2d Cir. Nov. 13, 2012)

Pro se plaintiff appealed dismissal of claims for infringement of plaintiff's photographs. Second Circuit upheld district court's dismissal of copyright claims, finding that although photograph may comprise original expression subject to copyright protection, similarities between plaintiff's images and allegedly infringing images were outweighed by numerous and significant differences. Defendants cross-appealed from portion of trial court's judgment declining to exercise supplemental jurisdiction over plaintiff's state law claims, arguing that trial court should have exercised jurisdiction over those claims, dismissed them with prejudice as completely preempted by Copyright Act. Second Circuit agreed, reasoning that while district courts generally have discretion to decline to exercise supplemental jurisdiction over state law claims, where state law claims are completely preempted by federal law such discretion is lacking. Accordingly, Second Circuit vacated district court's judgment dismissing plaintiff's state law infringement claims and remanded with instructions that district court determine which claims were completely preempted by federal law, and then decide whether to exercise supplemental jurisdiction over any state law claim surviving preemption.

GlobeRanger Corp. v. Software AG, 691 F.3d 702 (5th Cir. 2012)

Fifth Circuit reversed district court's dismissal of plaintiff's claims as preempted, holding that plaintiff's claims were not limited to alleged copying of copyrightable subject matter. Plaintiff developed radio frequency iden-

tification (RFID) software, utilization of which required use of certain systems involving "tags and readers." Plaintiff sued subcontractors and software company in state court, alleging misappropriation of trade secrets, conversion, unfair competition, conspiracy and tortious interference, claiming, *inter alia*, that defendants misappropriated defendant's RFID technology and gave it to co-defendant competitor, copied its procedures and methods of operations, and misrepresented that it developed Navy's RFID technology. Plaintiff further alleged that because of defendant's conduct, plaintiff lost bid on Navy RFID contract. Defendants removed to federal district court, alleging that claims were preempted. District court granted defendants' motion to dismiss based on preemption. Fifth Circuit noted that, while it is settled law that case may not be removed to federal court on basis of federal defense, including defense of preemption, under "independent corollary" to well-pleaded complaint rule, known as "complete pre-emption" doctrine, court on occasion has concluded that preemptive force of statute is so "extraordinary" that it converts ordinary state common-law complaint into one stating federal claim for purposes of well-pleaded complaint rule. As Fifth Circuit had yet to determine whether Copyright Act was "extraordinary" statute, court turned to precedent of sister circuits, and held that § 301(a) completely preempts substantive field, and thus state law claims that are preempted arise under federal law. Plaintiff argued that claims were broader than subject matter of copyright, as RFID system at issue was "process, system, method of operation" which was outside scope of copyright protection under § 102(b). Plaintiff's claims included allegations that defendants "could see how [plaintiff] went about actually deploying on site, how it set up its readers, how it tagged its product, how it incorporated business process into the design of the warehouse, and how it had trained sailors." Defendants countered that copyright protection extends not solely to literal elements of programs but also to nonliteral elements, e.g., program architecture, structure, sequence and organization, operational modules and computer-user interface, and that RFID system at issue was "structure, sequence and organization" related to plaintiff's RFID software, and thus plaintiff was merely recasting copyrightable work as noncopyrightable subject matter. Court, observing difficulty in distinguishing between literal and nonliteral elements of software, noted that nonliteral elements may be within scope of copyright insofar as they are expressions of software at issue and its nonliteral elements. However, court held that here some of plaintiff's claims involved "procedures, processes, systems, and methods of operation" that were not necessarily limited to specific expression, and thus plausibly were outside scope of copyright protection. Accordingly, court reversed grant of motion to dismiss.

Faktor v. Yahoo! Inc., No. 12-5220, 2013 U.S. Dist. LEXIS 55719 (S.D.N.Y. Apr. 16, 2013)

District court dismissed plaintiff's claim for unjust enrichment, finding it preempted. Plaintiff Faktor met with representatives of SCORE, charitable entity that provided "business mentoring services," to pitch idea for social-driven Web series to help American small businesses. Faktor spoke on phone with SCORE employees regarding series, and subsequently sent additional information about proposal by confidential email. Email included detailed one-pager that Faktor had shared with participating companies. SCORE informed Faktor that it did not want to participate in venture. Five months later SCORE announced, with Yahoo!, series entitled "Remake America." Faktor alleged Remake America "replicated" concept he pitched to SCORE and sued for unjust enrichment. Defendants argued claim was preempted. Section 301 preempts state law claim when (1) work at issue comes within subject matter of copyright; and (2) right asserted is equivalent to any exclusive rights within general scope of copyright. First prong, "subject matter requirement," is satisfied when state law claim applies to work of authorship fixed in tangible medium of expression and falling within ambit of one of categories of copyrightable works. Here, idea was fixed in writing. Second prong, "general scope requirement," is satisfied when state-created right may be abridged by act that would "in and of itself" infringe exclusive right provided by federal copyright law. If state law claim requires "extra element" making it different than copyright claim, it is not preempted. Here, Faktor's unjust enrichment claim was that defendants obtained, adapted and enriched themselves by exploiting his idea. Second Circuit has held that unjust enrichment claim does not contain "extra element" to differentiate from copyright claim. Accordingly, court dismissed claim as preempted.

Miller v. Loibl, No. 11-2182, 2013 U.S. Dist. LEXIS 35709 (S.D.N.Y. Mar. 13, 2013)

District court dismissed defendant's counterclaims as preempted. Plaintiff brought action for copyright infringement based on defendant's selling of movies and other materials promoting naturist lifestyle by naturist filmmaker Peter Dietrich. Plaintiff contended that he was granted exclusive rights to distribute certain of Dietrich's films and photographs in North America, and accordingly had registered and maintained copyrights in them. Plaintiff alleged that defendant infringed copyrights by distributing several naturist films that consisted largely of compilations of excerpts from other Dietrich films, including those to which plaintiff owned copyright. Defendant claimed that it was previously granted exclusive distribution rights to all of Dietrich's films. Therefore, defendant argued, Dietrich could not have conveyed to plaintiff rights he sought to enforce against

defendant. Defendant brought counterclaims for breach of contract, tortious interference with prospective economic advantage and contract, and for accounting of plaintiff's sales in violation of defendant's exclusive distribution rights. State law cause of action is preempted by federal copyright law to extent that "it is merely based on allegations that the defendant did something that the copyright laws reserve exclusively to the plaintiff." Court found that defendant's counterclaims alleged nothing more than that plaintiff violated defendant's exclusive distribution rights. Fact that plaintiff did so in violation of contract did nothing to change that conclusion, since infringed contractual right was congruent with right under copyright law. Court dismissed defendant's first three counterclaims as preempted, and, because fourth counterclaim was for accounting of plaintiff's sales in violation of rights asserted by defendant in first three counts, dismissed it as well.

Ardis Health, LLC v. Nankivell, 104 U.S.P.Q.2d 1856 (S.D.N.Y. 2012)

Court dismissed defendant's state law counterclaim for conversion of website as preempted. Copyright Act preempts state law claim when (1) work falls into type of work protected by Act; and (2) state law claim "seeks to vindicate legal or equitable rights that are equivalent to one of the bundle of exclusive rights already protected" by Act. If cause of action contains extra element beyond rights that fall into general scope of copyright, then state law claim does not fall into general scope of copyright. Here, plaintiff registered copyright in website to which defendant claimed she had ownership rights, and sought to protect her right to display work publicly. Since parties did not dispute that website fell within subject matter of copyright, court had only to ascertain whether conversion claim contained extra element. Under New York law, conversion is "unauthorized assumption and exercise of the right of ownership over goods belonging to another to the exclusion of the owner's rights." Defendant argued that conversion claim contained extra elements because (1) counter-defendant breached fiduciary duty; (2) plaintiff did not own any property interests in website; and (3) plaintiff's copyright registration was invalid. Court found that defendant's argument failed because elements of cause of action, rather than facts alleged to prove them, determine whether claim is preempted. Defendant's assertion of such "extra elements" only reinforced court's conclusion that claim was "copyright action in disguise."

Paramount Pictures Corp. v. Puzo, No. 12-1268, 2012 U.S. Dist. LEXIS 139827 (S.D.N.Y. Sept. 26, 2012)

District court denied plaintiff's motion to dismiss defendant's breach of contract counterclaims as preempted. Plaintiff had purchased from defen-

dant certain rights in novel *The Godfather*. Plaintiff brought action seeking declaratory relief and damages for ongoing violations of Copyright Act based on defendant's creation and publication of sequels to *The Godfather*. Copyright Act preempts claim when (1) particular work in claim falls within type of works protected by Copyright Act; and (2) claim seeks to vindicate legal or equitable rights that are equivalent to one of exclusive rights protected by copyright. Subject matter requirement was met because literary works and motion pictures are expressly protected by copyright. However, claim sought to vindicate rights not equivalent to exclusive rights protected by copyright. Specifically, defendant sought to enforce right derived from covenant of good faith and fair dealing, not to enforce exclusive rights provided by federal copyright law. Second, defendant's claim required proof of elements that are qualitatively different from copyright infringement claim. Defendant's claim did not involve use or copying; rather, to prevail on claim defendant must show that plaintiff had contractual obligation not to interfere with defendant's exercise of its book publishing rights, and that plaintiff breached that obligation. Moreover, defendant's claimed contractual right was asserted only against plaintiff and not against world, as copyright is, such that only plaintiff was bound to comply with provisions. As such, court found that contract did not require only that plaintiff honor defendant's exclusive copyrights and therefore, defendant's breach of contract claim was not preempted. Motion to dismiss defendant's breach of contract claim was denied.

Design Data Corp. v. Unigate Enterprise, Inc., No. 12-4131, 2013 U.S. Dist. LEXIS 12060 (N.D. Cal. Jan. 29, 2013)

District court granted motion to dismiss state law claim of breach of contract implied in law/*quantum meruit* as preempted. Plaintiff alleged infringement of copyrighted software. Court held that plaintiff had not alleged claim including "extra element"; claim based on implied-in-law, as opposed to implied-in-fact, contract has no "extra element" and is thus equivalent to right protected by copyright infringement.

Lewis v. Activision Blizzard, Inc., 104 U.S.P.Q.2d 1872 (N.D. Cal. 2012)

Court granted defendant's motion to dismiss state law claim for misappropriation of voice as preempted. Plaintiff recorded her voice and asserted that defendant used such recording without plaintiff's authorization. Plaintiff did not assert that defendant used or imitated any aspect of her voice not contained in recordings. Court held that plaintiff asserted rights equivalent to those protected within general scope of copyright and granted motion to dismiss state law claim. Court granted leave to amend

if plaintiff could allege commercial misuse of her voice *not* fixed in recording.

Metabyte, Inc. v. Nvidia Corp., No. 12-0044, 2013 U.S. Dist. LEXIS 58213 (N.D. Cal. Apr. 22, 2013)

District court granted defendant's motion to dismiss plaintiff's state Unfair Competition Law (UCL) claim as preempted. Plaintiff alleged that defendant created and sold products including plaintiff's copyrighted source code. State law claims are preempted if (1) rights plaintiff asserts are rights equivalent to those protected by Copyright Act; and (2) work involved falls within subject matter of Copyright Act. Court held that rights plaintiff asserted under UCL — reproduction of copyrighted works, preparation of derivative works and distribution of copies to public — were equivalent to rights protected under Copyright Act. District court thus dismissed UCL claim as preempted.

Reinicke v. Creative Empire, LLC, No. 12-1405, 2013 U.S. Dist. LEXIS 9793 (S.D. Cal. Jan. 24, 2013)

District court granted defendant's motion to dismiss state law claim for conversion as preempted. Defendant contracted with plaintiff to create specific online text content for German language learning services software. Plaintiff alleged that text content constituted "creative Work." Plaintiff alleged that Work constituted personal property of plaintiff, and also claimed that defendant converted her property "by using and misappropriating the Work" into its "online language learning services" software. Defendant moved to dismiss conversion claim pursuant to Rule 12(b)(6). Copyright Act preempts any other legal or equitable rights that are equivalent to any of exclusive rights within general scope of copyright. Conversion claim is preempted when claim is based on rights protected under Act, such as publishing, reproduction or adaptation of copyrighted material, and not when claim is based merely on possession of said material or violation of other rights not covered under Act. Plaintiff's theory of recovery was based on intangible property, alleged infringing distribution, and sale of software comprising text content through Internet. Court, accordingly, concluded that plaintiff's cause of action for conversion was preempted, and granted defendant's motion to dismiss conversion claim.

NTD Architects v. Baker, No. 12-20, 2012 U.S. Dist. LEXIS 89160 (S.D. Cal. June 12, 2012)

Plaintiff, architectural firm, sued former employees and competing architectural firm in California state court alleging theft of physical property and trade secrets during process of defendants' departure from plaintiff firm. Plaintiff also separately sued defendants in federal court claiming

copyright infringement, based on same underlying facts as state court action. After defendants successfully removed state court action to federal court, plaintiff moved to remand, arguing claims in state action were not preempted. Court denied plaintiff's motion to remand, finding plaintiff's state law action completely preempted by Copyright Act. Court noted that neither Supreme Court nor Ninth Circuit had decided whether Copyright Act completely preempts related state law claims. Accordingly, court looked to relevant decisions from Second, Fourth and Sixth Circuit for guidance. Here, although plaintiff's did not plead copyright claims in state action complaint, court found matters alleged in plaintiff's state action complaint and plaintiff's copyright claim in federal action to be largely identical, and therefore falling under Copyright Act. Court also found plaintiff's claim for conversion in state action complaint asserted rights equivalent to rights under Copyright Act, because "[t]he action for conversion does not rest merely on the tangible object, but the information within the object as well, may it be trade secret material or copyrighted works." Court found plaintiff's state action conversion claim completely preempted. Noting that "preemption of just one claim is sufficient to warrant removal," court denied plaintiff's motion to remand.

Cambridge Group Technologies, Ltd. v. Motorola, Inc., No. 12-7945, 2013 U.S. Dist. LEXIS 30161 (N.D. Ill. Mar. 5, 2013)

Plaintiff, software developer, entered into license agreement with defendant regarding its speech technology products. Plaintiff brought suit in state court, claiming that defendant breached agreement, and therefore was unjustly enriched, and later filed amended complaint that included new unjust enrichment claim. Defendants filed notice of removal based on new unjust enrichment claim. Plaintiff moved to remand. After action has been filed in state court, it can be removed to federal court if it "arises" under federal law. Federal question jurisdiction is appropriate if substantial, disputed federal law question is necessary element of claim. Courts determine whether there is federal question jurisdiction through "well pleaded complaint rule," meaning there is federal jurisdiction only when federal question is presented on face of plaintiff's well-pleaded complaint. Two exceptions allowing state claims to be removed to federal court are (1) when Congress expressly allows it; and (2) when federal statute displaces state law cause of action through complete preemption. Court found that in this case, rights protected by unjust enrichment claim were not equivalent to those protected by Copyright Act. Right under state law is equivalent to one of rights within general scope of copyright if it is violated by exercise of any of rights set forth in § 106. Under Illinois law, to state claim for unjust enrichment, plaintiff must allege that defendant voluntarily accepted benefit that would be inequitable for defendant

to retain without compensating plaintiff. Court found unjust enrichment claim not based on unauthorized copying or derivative works or any other right under copyright. Therefore, unjust enrichment claim was not preempted.

Capital Concepts, Inc. v. Mountain Corp., No. 11-36, 2012 U.S. Dist. LEXIS 182874 (W.D. Va. Dec. 30, 2012)

Plaintiff and defendants entered into numerous agreements relating to defendants' use of plaintiff's designs, text and tag-lines for defendants' outdoor-themed apparel. One agreement granted defendants license for unique designs combined with tag-lines for new line of outdoor-themed t-shirts. Following execution of license agreement, defendants sought to license additional text and creative tag-lines to combine with defendants' own images. Plaintiff agreed to license tag-lines in separate license agreement. After license ended, defendants were allowed to sell goods bearing designs and tag-lines for three-month sell-off period. Defendants sold goods beyond sell-off period, and did not pay plaintiff royalties. Plaintiff sued for copyright infringement, breach of contract, tortious interference with contract and unjust enrichment. Defendants argued that breach of contract and tortious interference claims were preempted. Preemption under Copyright Act does not apply to content or materials not subject to copyright protection. As plaintiff's breach of contract claims and tortious interference claims only concerned defendants' use of plaintiff's taglines and text, but not designs, court found claims not preempted. Unjust enrichment claim was also not preempted. Unjust enrichment claim can survive preemption if defendants were enriched by "material beyond copyright protection." Here, plaintiff's claim involved both material protected by copyright (designs) and material not protected by copyright (text and tag-lines). Accordingly, plaintiff's breach of contract, tortious interference with contract, and unjust enrichment claims were not preempted.

Ultraflo Corp. v. Pelican Tank Parts, Inc., No. 09-782, 2012 U.S. Dist. LEXIS 127503 (S.D. Tex. Sept. 7, 2012)

Court granted defendant's motion to dismiss state law claims as preempted. Works at issue were valve drawings. Plaintiff asserted claims of, *inter alia*, unfair competition by misappropriation and conversion. Plaintiff relied on "distinction between a useful article and a drawing of a useful article" in attempt to revive its state law claims; district court found argument unpersuasive, explaining that plaintiff was not asserting state law claims based on physical drawings themselves, nor valves, but rather from loss of intellectual property contained in graphic representations of valves and valve dimensions. Court held claims preempted.

Bollea v. Clem, No. 13-1, 2013 U.S. Dist. LEXIS 44625 (M.D. Fla. Mar. 27, 2013)

Plaintiff, p/k/a Hulk Hogan, was secretly videotaped while engaging in sexual conduct with defendant Clem. Videotape was leaked and obtained by co-defendant Gawker Media, which published excerpts of video. Plaintiff brought action for intrusion upon seclusion and publication of private facts in Florida state court. Gawker removed case to federal court based on, *inter alia*, federal question arising under Copyright Act. Plaintiff moved to remand. Court, reading Notice of Removal broadly, found Gawker contended that claims were completely preempted by Copyright Act. Court disagreed, finding that although plaintiff sought to control distribution and display of videotape, plaintiff's claims for intrusion upon seclusion and publication of private facts were qualitatively different than copyright infringement claim. Court found that those claims required proof of "private facts" and "public concern," which is not required in copyright infringement actions. Complete preemption is not found where state law claim has "extra elements that make it qualitatively different from a copyright infringement claim."

RSR Sale, Inc. v. Lowe's Cos., No. 12-10719, 2013 U.S. Dist. LEXIS 62824 (E.D. Mich. May 2, 2013)

Plaintiff, designer and importer of home and garden products, brought suit against defendant home improvement retailer, alleging copyright infringement of plaintiff's "gazing globes," as well as claim under Michigan Consumer Protection Act, unfair competition claim, and unjust enrichment claim. Defendant filed motion to dismiss several state law claims as preempted. Claim is preempted if (1) work is within scope of subject matter of copyright; and (2) rights granted under state law are equivalent to any exclusive rights within scope of federal copyright. Claim is not "equivalent" if extra element is required to prove state law claims. Court found that "gazing globe," work upon which plaintiff's state law claims were based, was clearly within subject matter of copyright, and that no extra element was needed to prove any state law claim. According, claims were dismissed as preempted.

Kano Laboratories, Inc. v. Clenair Manufacturing, No. 12-1209, 2013 U.S. Dist. LEXIS 59094 (M.D. Tenn. Apr. 25, 2013)

District court denied defendant's motion to dismiss plaintiff's trade dress claims as preempted. Plaintiff alleged that it was manufacturer of penetrating oil products called "Kroil," branded as "Aerokroil," "Silikroil," and "Penephite." Plaintiff asserted that it used specific trade dress for its products, including orange can with black and silver top, oil drop graphic,

italicized product font, and bullet-point text below product name. Plaintiff alleged that defendant began selling competitive penetrating oil product called "Penetroil," and had adopted trade dress substantially similar to plaintiff's. Plaintiff's claims for trademark, trade name and trade dress infringement did not fall within scope of Copyright Act, and thus were not preempted, court found. Issue in trademark law is largely about protecting consumers from confusion, which was sufficiently pled by plaintiff.

Philotechnics, Ltd., v. Ecology Services, Inc., No. 12-180, 2013 U.S. Dist. LEXIS 17774 (E.D. Tenn. Feb. 11, 2013)

Plaintiff filed complaint in state court alleging, *inter alia*, violations of Federal Computer Fraud and Abuse Act ("CFAA"). Defendants removed action to district court, relying solely on subject matter jurisdiction based on CFAA claim. Plaintiff sought to amend complaint to withdraw CFAA claim and to remand action to state court, arguing that after withdrawal of CFAA claim, action rested exclusively on state law, and district court no longer had subject matter jurisdiction. In opposition, defendants raised new argument that action was preempted by Copyright Act. Court, noting that "notice of removal, like a complaint, is not a revolving door that remains open in perpetuity," held that because defendants failed to assert preemption as basis for removal, defendants waived that defense. Court also rejected defendants' argument that copyright-related matters cannot be tried in state court, holding that preemption is triggered only when (1) subject matter falls within scope of Copyright Act and (2) state law claims are commensurate to rights protected under § 106. Court held that state courts can therefore hear claims touching on subject of copyright if both elements are not met; court was not convinced that both elements were met. Relying on Sixth Circuit's "rule of thumb," court also held that remand was proper because plaintiff acted quickly to remand action (three weeks); there was no substantive activity in district court (except for instant ruling); and because remaining causes of action were state actions, and thus state court was most appropriate forum.

Bridgetree, Inc. v. Red F Marketing, LLC, No. 10-228, 2013 U.S. Dist. LEXIS 15372 (W.D.N.C. Feb. 5, 2013)

Plaintiff sued defendants for conversion and other causes of action arising from defendant's resignation from plaintiff. Jury found defendants liable for conversion of plaintiff's computer files. Court *sua sponte* addressed whether plaintiff's state law conversion claim was preempted by federal copyright law. Court first considered whether defendants waived preemption defense by failing to raise it during proceedings. Noting that issue was one of first impression in Fourth Circuit, court found courts in sister circuits to have held that defendants waive preemption defense if it is not

timely raised. Court therefore held that defendants waived preemption defense.

WJ Global LLC v. Farrell, No. 12-745, 2013 U.S. Dist. LEXIS 59554 (E.D.N.C. Apr. 17, 2013)

Court denied plaintiffs' motion to remand case to Wake County Superior Court because conversion, constructive trust, and permanent injunction claims were preempted. Plaintiffs contended that defendant deleted emails and made copies of software and other intellectual property owned by plaintiffs. State law claim is preempted when (1) claim falls within subject matter of copyright; and (2) claim protects rights that are equivalent to exclusive rights protected by copyright. Prong two is not satisfied when state law claim contains "extra element" beyond rights protected by federal copyright. Prong one was satisfied because plaintiffs' claims all related to software and related intellectual property. Under North Carolina law, conversion is defined as "unauthorized assumption and exercise of right of ownership over goods or personal property belonging to the alteration of their condition or to the exclusion of the owner's rights." Court found that since conversion claim only related to intangible property, it was preempted. Moreover, plaintiffs' claim for constructive trust, which was properly framed as remedy for unjust enrichment claim, was preempted because only property at issue was subject to copyright. Plaintiffs' claim for permanent injunction was preempted as remedy provided by Copyright Act.

IX. DIGITAL MILLENNIUM COPYRIGHT ACT

UMG Recordings, Inc. v. Veoh Networks, Inc., 106 U.S.P.Q.2d 1253 (9th Cir. 2013)

Ninth Circuit affirmed, for second time, summary judgment for defendants. In 2007, UMG sued Veoh and several of its backers in Central District of California for unauthorized uploading of its copyrighted works by Veoh users. District court found that Veoh was protected by § 512(c) safe harbor. In December 2011 Ninth Circuit affirmed; Veoh qualified for safe harbor because it did not have "actual knowledge" of infringing content. Ninth Circuit rejected various "red flags" that UMG argued showed that Veoh should have known that infringing content was being posted, including tagging of user-supplied content with titles like "music videos"; users' purchasing of Google AdWords that included names of well-known recording artists; and communications from UMG that complained generally about infringing content. Court also rejected argument that Veoh had actual knowledge of infringement based on its hosting "music" category, under theory that since Veoh didn't hold any licenses from any major mu-

sic producers, Veoh must have known that "music" category would be full of infringing content. UMG petitioned for rehearing and rehearing *en banc*. In meantime, Second Circuit's *Viacom v. YouTube* opinion issued. Ninth Circuit requested additional briefing from parties in light of *Viacom* regarding distinction between actual knowledge and red flag knowledge for purposes of eligibility for § 512(c) safe harbor. Ninth Circuit withdrew December 2011 opinion, granted UMG's petition for panel rehearing, and issued superseding opinion that again found that DMCA safe harbor was applicable. Court found there was still no genuine issue of fact regarding Veoh's actual knowledge of infringement or awareness of facts or circumstances from which infringing activity was apparent. Court found Veoh had not received any financial benefit from infringing activity over which it had right and ability to control. Ninth Circuit cited *Viacom* for proposition that "a service provider cannot willfully bury its head in the sand to avoid obtaining such specific knowledge." However, evidence did not show that Veoh had buried its head; when Veoh acquired specific knowledge of infringement, it acted to remove such material in prompt manner. Ninth Circuit endorsed *Viacom*'s holding that "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." There was no evidence, however, that Veoh had had either kind of knowledge. Court also followed *Viacom* to find that "right and ability to control" under § 512(c)(1)(B) requires "something more" than general ability to locate infringing material and terminate users' access; i.e., ISP must "exert substantial influence on the activities of users." "Substantial influence" may include high levels of control over activities of users, or purposeful conduct, such as inducing infringement. Even though Veoh could remove infringing material on its website, and was able to use filtering technology to identify some infringement, and could have actively searched for infringement, this did not amount to "substantial influence" under *Viacom*.

Columbia Pictures Industries v. Fung, 710 F.3d 1020 (9th Cir. 2013)

Ninth Circuit affirmed district court's finding that defendants were liable on inducement theory for contributing to customers' infringement of plaintiff's copyrights. Defendant Fung operated several sites, including isoHunt site, devoted to downloading material using BitTorrent technology. "Inducement rule," enunciated in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005), has four elements: (1) distribution of "device" or "product"; (2) acts of infringement; (3) with object of promoting its use to infringe copyright; and (4) causation. Fung argued he did not develop or distribute any "device," and so was not liable under

inducement rule. Court disagreed, finding inducement doctrine applies to services as well as to devices or products. Evidence of actual infringement by isoHunt users was so overwhelming that "any reasonable jury would have to conclude that the vastly predominant use of Fung's services has been to infringe copyrights." Court found that there was more than enough unrebutted evidence in summary judgment record to prove that Fung offered services with object of promoting their use to infringe copyrighted material. IsoHunt prominently featured list of "Box Office Movies," containing twenty highest-grossing movies then playing in U.S. theaters. Fung also posted numerous messages to isoHunt forum requesting that users upload torrents for specific copyrighted films; in other posts, he provided links to torrent files for copyrighted movies, urging users to download them — all, Ninth Circuit found, designed to stimulate others to commit copyright violations. Court adopted "loose causation theory," under which plaintiff need only prove that "acts of infringement by third parties" were caused by product distributed or services provided. Court found Fung was not eligible for protection under § 512(c) safe harbor. Fung had "red flag" knowledge of broad range of infringing activity. Record was replete with instances of Fung actively encouraging infringement, by urging users to both upload and download particular copyrighted works, providing assistance to those seeking to watch copyrighted films, and helping users burn copyrighted material onto DVDs. Fung admitted that he personally used isoHunt website to download infringing material. Court found connection between infringing activity and Fung's revenue stream from advertising sufficiently direct to meet "financial benefit" prong under subsection (B). Regarding Fung's "right and ability to control," court applied Second Circuit standard it adopted in *Veoh* requiring "something more" than general ability to locate infringing material and terminate users' access; i.e., ISP must also exert substantial influence on activities of users. Here, "overwhelming" evidence that Fung engaged in inducing activity showed that his ability to control infringing activity on his websites went well beyond locating and terminating users' access to infringing material. Accordingly, Fung was not eligible for protection under § 512(c) safe harbor.

Viacom International, Inc. v. Youtube, Inc., No. 07-2103, 2013 U.S. Dist. LEXIS 56646 (S.D.N.Y. Apr. 18, 2013)

District court granted defendant's renewed motion for summary judgment. On remand from Second Circuit, court had to determine (1) whether defendant had knowledge of specific infringing activity occurring on its site; (2) whether defendant willfully blinded itself to specific infringements; (3) whether defendant had right and ability to control infringing activity; and (4) whether any clips-in-suit were syndicated to third

party, and, if so, whether such syndication occurred by "reason of the storage at the direction of the user" within meaning of § 512(c)(1), so that YouTube might claim protection of § 512(c) safe harbor. As to (1), court requested that parties identify precise information that was given to or reasonably apparent to defendant that identified infringing activity. Plaintiffs conceded that neither plaintiffs nor defendant could produce evidence that would allow clip-by-clip assessment of actual knowledge or lack thereof, given volume of material of defendant's site. Plaintiffs argued, however, that defendant bore burden to prove lack of knowledge, given that defendant sought protection under § 512 safe harbor. Court disagreed, holding that under § 512 copyright holder bears burden of notifying service provider of infringing activity, and that burden cannot be shifted to defendant simply because of volume of material. Regarding (2), court held that there was no willful blindness on defendant's part because what disqualifies service provider from DMCA's protection is blindness to "specific and identifiable instances of infringement," and plaintiff's examples lacked requisite specificity; e.g., plaintiffs did not provide specific locations of infringing activity, only search area that required defendant to find infringing clip. Regarding (3), court held that right or ability to control infringing activity requires "something more" than ability to remove or block access to posted material. Noting that only one court, *Perfect 10, Inc. v. Cybernet Ventures, Inc.*, 213 F. Supp. 2d 1146 (C.D. Cal. 2002), had held that defendant had "right and ability to control," court found that to lose protection of safe harbor, defendant must influence or participate in infringement. Plaintiffs argued that "something more" was present where defendant exercised "ultimate judgment and control over the content available on its site," given that it (1) chose proactively to remove some but not all infringing material; (2) organized and facilitated search of videos on site by suggesting search terms and related content; and (3) enforced rules such as prohibiting pornographic content. Plaintiff also argued that defendant adopted policy of waiting to receive takedown notices before removing infringing material to increase playbacks, gain advertising revenue and enter into licensing agreements with content owners. There was no evidence that defendant induced its users to submit infringing videos, provided users with detailed instructions about what content to upload or edited their content, prescreened submissions for quality, steered users to infringing videos, or otherwise interacted with infringing users to point where it might be said to have participated in infringing activity. Regarding (4), court held that defendant's syndication licenses with third parties fell under safe harbor, as they provided access to stored material at direction of users without involving manual selection or delivery of videos. Plaintiff argued that licenses were outside scope of protection because they were initiated by defendant to further its own business

interests, and not at direction of users. Court rejected this argument, stating that issue did not turn on which party initiated transaction, but whether syndication reflected steps taken by service providers to make user-stored videos more readily accessible to users, without manual intervention. Court therefore granted summary judgment in favor of defendant.

Lenz v. Universal Music Corp., 105 U.S.P.Q.2d 1635 (N.D. Cal. 2013)

District court denied cross-motions for summary judgment. Plaintiff posted video of her young child "dancing" to defendant's copyrighted song on YouTube. Defendant sent DMCA takedown notice to YouTube and plaintiff responded with DMCA counter-notice. Plaintiff and defendant moved for summary judgment on plaintiff's claim of misrepresentation under § 512(f). Plaintiff argued that defendant's procedures for evaluating copyright infringement ignored fair use, and thus defendant could not have formed good faith belief as to fair use, and accordingly was willfully blind. Court denied plaintiff summary judgment on willful blindness theory, since plaintiff had not shown that defendant had *willfully* blinded itself. Court also denied defendant summary judgment as to willful blindness theory, since defendant had not shown it lacked *subjective* belief that there was high probability that any given video might make fair use of copyrighted song. Defendant also argued that even if takedown notice contained material misrepresentation, plaintiff could not prove damages; court held, however, that electricity to power plaintiff's computer, internet and telephone bills and like, as well as plaintiff's attorney's *pro bono* work, were damages within meaning of DMCA.

Perfect 10, Inc. v. Yandex N.V., No. 12-1521, 2013 U.S. Dist. LEXIS 65802 (N.D. Cal. May 7, 2013)

Plaintiff created copyrighted adult entertainment photographs. Defendant owned family of companies offering range of search functions over Internet. Perfect 10 alleged Yandex websites violated copyrights by copying Perfect 10's images and displaying them to Internet users, and by linking to, storing and placing ads around such images without permission. Perfect 10 sent hundreds of DMCA takedown notices to Yandex, requesting it remove links to thousands of allegedly infringing images. Perfect 10 did not send typical DMCA notices. Instead, notice contained cover email attaching notice and PDF file. PDF file contained DMCA letter describing contents of notice, and requesting that images be taken down. Letter was followed by several pages of screenshots from Yandex's own site showing allegedly infringing content, and grid of images of Perfect 10's copyrighted images. Perfect 10 moved for partial summary judgment that

three "sample" DMCA notices were compliant with notice requirements of DMCA. Yandex argued sample notices could not be considered in isolation, and needed to be aggregated in single notice based on contemporaneous transmissions. First sample notice, for instance, was only 11 pages long, but all notices sent within ten-minute period totaled 225 pages. Court dismissed Yandex's argument, stating there must be way for party to efficiently comply with DMCA requirements in circumstances where thousands of images are allegedly infringed. Alleged infringer should not be allowed safe harbor because voluminous misconduct would require voluminous takedown notices. Yandex specifically objected to first notice, aruging that it was burdened because notice did not comply with § 512(c)(3). Court rejected argument, stating that Yandex merely preferred notices in different format, i.e., list of URLS, and § 512(c)(3) does not require particular format for notice. Additionally, Yandex argued sample notice was deficient because it failed to adequately identify copyrighted work. Yandex argued each notice showed sixteen copyrighted images, and burden for Yandex was excessive as it had to match those with its own images. Court found process required only few seconds of effort per notice, and dismissed argument, stating any manual process for reviewing alleged infringements on large scale would require substantial time. Yandex also argued that sample notice failed to sufficiently identify location of allegedly infringing materials because links were sometimes truncated in screenshots. Court disagreed, finding screenshots were only meant to show infringing work, not identify location. As notice explained, exact links were available by clicking on images listed in search results. Court therefore found that first sample notice complied with statute. As to third sample notice, Yandex made same arguments as to first notice, and also argued that alleged authorized copy of work and alleged infringement were not identical. Court found that while there was no express requirement that DMCA notice include image of exact authorized copy of allegedly infringing work, Perfect 10's voluntary inclusion of incorrect version of work raised question as to notice. Court accordingly denied summary judgment on third notice. Finally, Perfect 10 moved for partial summary judgment that Yandex was not protected by safe harbor during period it did not designate DMCA copyright agent. Court agreed, and granted in part plaintiff's motion for partial summary judgment.

Tuteur v. Crosley-Corcoran, No. 13-10159, 2013 U.S. Dist. LEXIS 51606 (D. Mass. Apr. 10, 2013)

Plaintiff, former physician and author, sued defendant, midwife and author, alleging abuse of DMCA by defendant. During prolonged course of "escalating polemic between two bloggers who have diametrically opposed views on the safety and virtues of home birthing," plaintiff re-posted pho-

tograph of defendant taken from defendant's blog on plaintiff's blog. After defendant served plaintiff with DMCA takedown notice, plaintiff preemptively sued defendant, claiming defendant made material misrepresentation of infringement in DMCA notice. Defendant, Illinois resident, moved to dismiss for lack of personal jurisdiction, claiming she lacked sufficient minimum contacts with Massachusetts. Rather than address jurisdictional question, court reviewed merits of claim as stated in Complaint, noting its authority to avoid complex jurisdictional question where, as here, merits can be readily resolved in favor of party challenging jurisdiction. Court noted defendant's takedown notice conformed to letter of DMCA requirements. Moreover, court noted "there is no requirement in the DMCA that a notice-giver inform the service provider of an infringer's possible affirmative defenses, only that she affirm (as appears to be the case here) that the copyrighted material is being used without her (or her agent's) permission." Accordingly, court found nothing improper in defendant's DMCA takedown notice, as purpose of defendant's notice was "to stop what she believed was an infringement of her copyrighted likeness, while the means that she chose, sending the notice to the service provider, was one explicitly authorized by the statute." Therefore, court issued order to show cause why complaint should not be dismissed on merits and/or jurisdictional grounds.

UMG Recordings, Inc. v. Escape Media Group, Inc., 964 N.Y.S.2d 106 (1st Dep't Apr. 23, 2013)

Plaintiff, owner of copyrights in sound recordings, brought suit for infringement against developer of Internet-based music streaming service called Grooveshark. In its defense, defendant asserted that it was shielded from liability for infringement of pre-1972 sound recordings under "safe harbor" provisions of DMCA, codified at § 512. Such "safe harbor" provisions immunize certain Internet service providers from monetary liability for unauthorized use of copyrighted materials uploaded by or at direction of third-party users. Plaintiff moved to dismiss defense on ground that DMCA "safe harbor" provisions do not apply to pre-1972 sound recordings, since those works are excluded from protection of Copyright Act. Lower court denied plaintiff's motion to dismiss on ground that scope of DMCA was not expressly limited to only post-1972 sound recordings. New York Appellate Division reversed, and held that DMCA "safe harbor" provisions do not apply to pre-1972 sound recordings. Court held that to apply DMCA against pre-1972 sound recordings would "directly violate" § 301(c) of Act, which forbids Act from "annul[ling]" or "limit[ing]" common-law rights and remedies of owners of sounds recordings "fixed" prior to February 15, 1972. Were DMCA to apply to those pre-1972 recordings, plaintiff's right to immediately commence action for

common-law infringement would be eliminated; instead, owner could only serve DMCA "take-down notice" on defendant. Court thus concluded: "Any material limitation, especially the elimination of the right to assert a common-law infringement claim, is violative of section 301(c) of the Copyright Act." Reading of plain language and statute as whole reinforced this conclusion. For example, in defining "copyright infringer," DMCA identified only rights conferred by Act; because Act excludes pre-1972 recordings from its protection, so too should those works be excluded from DMCA's "safe harbor" protection. Finally, while court recognized defendant's concerns that this holding could create "uncertainty" for Internet service providers, court held that, if necessary, Congress should amend DMCA to clarify its intent. Court, however, could not "do so by fiat."

X. MISCELLANEOUS

A. Visual Artists Rights Act

Wilson v. New Palace Casino, L.L.C., No. 11-447, 2013 U.S. Dist. LEXIS 31293 (S.D. Miss. Mar. 7, 2013)

District court granted defendants' motion for partial summary judgment on plaintiff's VARA claim. Copyrighted work at issue was painting of fish. Defendants moved for partial summary judgment on plaintiff's claim for violation of his rights of attribution or integrity under VARA. Defendants argued that since original painting had been reproduced in large numbers, it did not qualify as "work of visual art" under § 101. Plaintiff argued that basis for his claim under Copyright Act was original watercolor painting authored by him, and that any reproductions were derivative works. Court did not resolve question, but held that plaintiff had not asserted viable VARA claim with respect to original painting, since he did not allege that defendants had incorrectly attributed authorship of original painting, or that they had modified or distorted original painting in any way. Court also held that even if original painting constituted "work of visual art," images defendants allegedly copied were not copies of original painting but of derivative works. Court found further that defendants' purported use of work on plastic drinking cups, menus, signage, t-shirts worn by employees and for sale, drink huggers and advertisements fell outside scope of VARA. "Each of Defendants' alleged uses of the wahoo involved merchandising or qualified as advertising or promotional materials as described in subparagraph (A) of § 101's definition of 'work of visual art.' The plain language of § 106A(c)(3) would therefore seem to exclude these uses from VARA."

B. Insurance

Trax, LLC v. Continental Casualty Co., No. 10-6901, 2012 U.S. Dist. LEXIS 123141 (N.D. Ill. Aug. 29, 2012)

Court found defendant insurance company breached its duty to defend plaintiff in suit for copyright infringement when it failed to cover settlement. Plaintiff Trax provided testing services for U.S. Government, and developed and maintained software simulation systems for U.S. power plants. Defendant sold Trax insurance policy with general and claim limit of $5 million. Policy provided coverage for risk of liability for breach of duty, error or omission in conduct of its technology services business. Third party nHance Technologies, Inc. sued Trax for copyright infringement, alleging Trax sold and distributed power plant simulation software, called "Pro-TRAX," that used source code copied from nHance's software product. Trax and nHance settled nHance's claims for $1.95 million and mutual releases. Defendant did not contribute to settlement payment. Trax brought suit against defendant, alleging breach of duty under insurance policy. Court found that nHance's copyright infringement suit against Trax was precise liability Trax sought to protect against with policy. Moreover, court explained that nHance was not seeking some novel and uninsurable type of damages from Trax; Copyright Act provides that where infringement is found, copyright owner is entitled to recover "any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages." Court found that nHance did not seek restitution or disgorgement, but rather Trax's profits, which it was permitted to recover under Copyright Act. Therefore, court ruled, profits nHance sought from Trax were not uninsurable, and defendant breached its duty to defend Trax when it failed to cover settlement.

PART III

ADMINISTRATIVE DEVELOPMENTS

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Library of Congress. Copyright Office

Copyright Royalty Judges Invite Comments on Motion for Partial Distribution of 2009–2011 Dart Royalty Funds, 78 Federal Register 64023-24. The Copyright Royalty Judges are soliciting comments on a motion for a partial distribution of 2009, 2010, and 2011 royalties from the DART Musical Works Fund. Broadcast Music, Inc.; the American Society of Composers, Authors, and Publishers; SESAC, Inc.; and the Harry Fox Agency filed the motion on September 9, 2013, stating that they had reached confidential settlements among themselves concerning their respective distribution shares for 2009 through 2011. Pursuant to section 801(b)(3)(C) of the Copyright Act, the parties asked the judges to publish notice of their motion for a partial (95%) distribution and receive comments on the proposal. Comments were due by November 25, 2013.

Library of Congress. Copyright Office

Copyright Royalty Judges Announce Final Phase II Distribution of 2000–03 Cable Royalty Funds in Program Supplier and Devotional Categories, 78 Federal Register 64984-5006. The Copyright Royalty Judges have determined the final phase II distribution of 2000, 2001, 2002, and 2003 cable royalty funds in the program supplier and devotional categories. The final determination took effect on October 30, 2013.

Library of Congress. Copyright Office

Copyright Royalty Judges Set Final Rates and Terms for Mechanical and Digital Phonorecords Under Section 115 License, 78 Federal Register 67938-51. The Copyright Royalty Judges are publishing final regulations setting the rates and terms for use of musical works in physical phonorecord deliveries, permanent digital downloads, ringtones, interactive streaming, limited downloads, limited offerings, mixed service bundles, music bundles, paid locker services, and purchased content locker services under section 115 of the Copyright Act. The regulations took effect January 1, 2014.

Library of Congress. Copyright Office

Copyright Royalty Judges Announce Cost-Of-Living Adjustment fr Performance of Musical Compositions by Colleges and Universities, 78 Federal Register 71501-02). The Copyright Royalty Judges are announcing a

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Copyright Royalty Judges Announce Cost-of-Living Adjustment In Royalty Rates for Satellite Carriers Under Section 119 License, 78 Federal Register 71501-02. The Copyright Royalty Judges are announcing a COLA of 1% in the royalty rates satellite carriers pay under section 119 of the Copyright Act. The COLA is based on the change in the Consumer Price Index from October 2012 to October 2013, and the rates apply to the period January 1, 2014, through December 31, 2014.

Library of Congress. Copyright Office

Copyright Royalty Judges Announce Rates and Terms for Making of Ephemeral Recordings of Sound Recordings by Business Establishment Services, 78 Federal Register 66276-79. The Copyright Royalty Judges are publishing final regulations setting the rates and terms for the making of ephemeral recordings of sound recordings by business establishment services for the period January 1, 2014, through December 31, 2018.

PART IV

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PART IV

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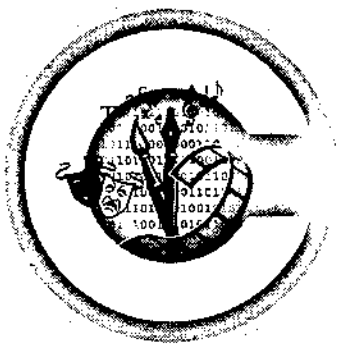

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FROM THE DESK OF THE CO-EDITORS-IN-CHIEF

Volume 61, Issue 2, contains lectures by two of the leading figures in American copyright, Register of Copyrights Maria A. Pallante, and Professor Peter S. Menell. Part I consists of Pallante's Christopher A. Meyer Memorial Lecture, *The Next Generation Copyright Office: What It Means and Why It Matters*. In it, she discusses improvements to the Office's core services and technical capacity, as well as special projects undertaken between October 2011 and October 2013. Among the projects she describes are those relating to Office staffing and finances, relationships with academic institutions and scholars, and addressing problems with technology infrastructure. She concludes by saying: "we will continue our work, making measured improvements under the Office's current administrative authority and working appropriately within budget realities."

Part II contains Peter S. Menell's Brace Lecture, *This American Copyright Life: Reflections on Re-Equilibrating Copyright Law for the Internet Age*, which calls attention to copyright's poor image with the public. The author discusses how this occurred, why copyright's poor status matters, and what can be done to improve the situation. He concludes that in the Internet Age, the usual methods of enforcing copyright, deterrence through statutory damages, is largely counterproductive, and adds: "By recognizing the essential role of social norms in the operation of the Internet Age content governance ecosystem, policymakers and industry leaders can re-equilibrate copyright law and content markets to motivate the next generation of creators and engage the next generation of consumers."

The issue concludes with Part III, Administrative Developments, and Part IV, the Bibliography.

As always, your comments and suggestions are welcome.

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PART I

MEYER LECTURE

THE NEXT GENERATION COPYRIGHT OFFICE: WHAT IT MEANS AND WHY IT MATTERS

by MARIA A. PALLANTE*

INTRODUCTION

Tonight I would like to discuss the improvements that some of you have been calling for with respect to the core services and technical capacity of the U.S. Copyright Office, many of which I agree with and all of which deserve further consideration. I will also report on the conclusions of some of the special projects that my colleagues and I conducted from October 2011 through October 2013 for the purpose of assessing deficiencies and vulnerabilities of the Office and preparing it for future challenges. To the many stakeholders who engaged with us on issues of law, business, and technology during this process, we express our gratitude and appreciation.

Where possible, we have already adopted new programs. For example, in the past year, in the category of supplementing our lean staff, we commenced research partnerships with law schools (beginning with Stanford), announced the Abraham Kaminstein Scholar in Residence Program (for professors and other substantive experts) and the Barbara A. Ringer Copyright Honors Program (for law school graduates).[1]

In the category of education and training, we launched the Copyright Matters public education program (focused on copyright law and marketplace developments);[2] established the internal Copyright Academy (for

*Maria A. Pallante is Register of Copyrights and Director of the U.S. Copyright Office. This is a longer version of the Eleventh Annual Christopher A. Meyer Memorial Lecture delivered on November 20, 2013 at George Washington University Law School and co-sponsored by the Copyright Society of the USA.

Mr. Meyer was a Policy Planning Advisor at the Copyright Office from 1983 to 1987, in addition to holding other positions in the federal government and private sector. A recognized expert in domestic and international copyright law, he was a partner with the Washington firm of Meyer & Klipper, PLLC at the time of his untimely death in 1999.

The author would like to acknowledge the foundational work of her predecessor, Marybeth Peters (Register 1994–2010), who implemented the first generation of electronic registration in 2008.

1 *U.S. Copyright Office Announces Ringer Fellowships and Kaminstein Scholars, Names Brauneis of The George Washington University*, U.S. COPYRIGHT OFFICE NEWSNET, no. 516 (Sept. 5, 2013), http://www.copyright.gov/newsnet/2013/516.html.

2 The Office has hosted a dozen Copyright Matters events since 2011, including Copyright & The American Songwriter; Copyright Conversations with the

purposes of much-needed staff training); undertook a major revision of registration standards and practices (the *Compendium of Copyright Office Practices*, Third Edition); and began to reorganize business units to address certain under-resourced areas of the Copyright Office (including legal work, digital file security, metadata standards, database functionality, and public information services).

Other improvements will take more time. That is, while the Copyright Office should and will continue to effectuate whatever progress it can under its existing structure and authority, some projects are more systemic and will require significant resources and/or congressional direction. Indeed, if stakeholders are largely correct in their assessments and advice — and I believe they are — we may well require a number of paradigm shifts in the years ahead. These shifts would affect several primary services under the copyright law, including: how the Office examines creative works and secures deposit materials; how it registers claims to copyright; how it records assignments, security interests, and other commercially important documents; how it manages technology and otherwise interacts with the broader marketplace; and how it is funded.

While no one has suggested that investing in the Copyright Office would be inexpensive, people seem to agree that it would be widely beneficial. This came through during our public comment process. For example, BMI suggested that it would be useful for the Office to collect and incorporate short digital samples of musical works as part of its registration records, to help people identify copyright ownership.[3] The American Society of Media Photographers and the Graphic Artists Guild suggested it would be helpful for the Office to invest in image recognition technologies to help people find works of visual art.[4] The Association of American Publishers said it would be helpful to the book publishing industry if the Office adopted commercially successful metadata standards for digital

United Kingdom; and Nimmer on Copyright: Celebrating 50 Years, to name a few. *See Copyright Matters Lecture Series*, U.S. COPYRIGHT OFFICE, http://www.copyright.gov/copyrightmatters.html.

[3] Broadcast Music, Inc. ("BMI"), Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 2 (May 21, 2013). *See* Notice of Inquiry, Technological Upgrades to Registration and Recordation Functions, 78 Fed. Reg. 17,722 (Mar. 22, 2013). The comments the Office received in response to this Notice of Inquiry are available on the Copyright Office website, http://www.copyright.gov/docs/technical_upgrades/comments.

[4] American Society of Media Photographers ("ASMP"), Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 5 [hereinafter "ASMP Comments"]; Graphic Artists Guild ("GAG"), Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 10 (May 21, 2013).

content, such as ONIX.[5] And SoundExchange said that if the Copyright Office could develop APIs,[6] then rights management organizations and aggregators could create innovative applications for collecting and disseminating information regarding copyrighted content across the supply chain.[7] In a publication about the Copyright Office released in 2010, Public Knowledge observed that "[t]he long term cost savings created by an easy-to-use, comprehensive registry should easily outweigh the costs associated with its creation."[8]

I. THE WORLD AROUND US

> *[N]early every copyright-related industry sector is in the midst of profound changes . . . . It should not come as a surprise that the rapid changes happening in the copyright world might require change to how and what the Copyright Office does.*
>
> - Members of the Copyright Principles Project, January 1, 2010[9]

As many have observed, the Copyright Office sits at the center of a considerable copyright marketplace, one that seems to become more dynamic and more sophisticated every year. Consumers of all ages are demanding the ability to both access and share creative works (books, games, movies, videos, photographs, and music) in their homes and through a variety of mobile devices and other platforms. The copyright industries are investing not only in the content itself, but also in the software and hardware to deliver it securely.[10] Technology companies

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5 Association of American Publishers ("AAP"), Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 8 (May 21, 2013) [hereinafter "AAP Comments"].

6 An API (or application programming interface) is a set of data structures, protocols, and other building blocks that facilitate the functionality of web-based software applications, and provide a channel for applications to work with each.

7 SoundExchange, Inc., Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 6 (May 21, 2013) [hereinafter "SoundExchange Comments"].

8 *See* MICHAEL WEINBERG ET AL., PUBLIC KNOWLEDGE, A COPYRIGHT OFFICE FOR THE 21ST CENTURY: RECOMMENDATIONS TO THE NEW REGISTER OF COPYRIGHTS 10 (2010), *available at* http://www.publicknowledge.org/files/docs/ACopyrightOfficeforthe21stCentury.pdf.

9 Pamela Samuelson & Members of the Copyright Principles Project ("CPP"), *The Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L.J. 1175, 1202 (2010).

10 *See, e.g.*, STEPHEN E. SIWEK, ECONOMISTS INCORPORATED, COPYRIGHT INDUSTRIES IN THE U.S. ECONOMY: THE 2013 REPORT 2 (2013) (prepared for the International Intellectual Property Alliance ("IIPA")), *available at* http://www.iipa.com/pdf/2013_Copyright_Industries_Full_Report.PDF (stating that the value of the core copyright industries to U.S. gross domestic product ("GDP") exceeded $1 trillion ($1,015.6 billion) in 2012, account-

continue to expand their businesses, making delivery over the Internet faster, more interactive, and more global than ever before.[11]

Earlier this year, I offered my thoughts as to why marketplace developments like these may require Congress to consider additional protections, remedies, and clarifications in the law for the benefit of most everyone in the ecosystem, including authors, distributors, and consumers.[12] While the courts are indispensible to the evolution of copyright law, and while they frequently perform yeomen's work in applying the law to the facts of new technologies, Congress remains uniquely situated and authorized to weigh the larger themes of copyright policy, including the ongoing viability of the law and the protection of the public interest.

Part of the equation involves assessing the relative state of the Copyright Office and its ability to administer the legal provisions of a twenty-first century law. But how does a government institution like the Copyright Office stay relevant to the public interest that it serves, particularly when its mission and services also support a business environment as dy-

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ing for 6.48% of the U.S. economy, and that the value of total copyright industries to U.S. GDP exceeded $1.7 trillion ($1,765 billion), accounting for 11.25% of the U.S. economy); ECON. & STATISTICS ADMIN. & U.S. PATENT AND TRADEMARK OFFICE, INTELLECTUAL PROPERTY AND THE U.S. ECONOMY: INDUSTRIES IN FOCUS at v (2013), *available at* http://www.esa.doc.gov/sites/default/files/reports/documents/ipandtheuseconomyindustriesinfocus.pdf (noting that intellectual property rights "support innovation and creativity in virtually every U.S. industry").

[11] *See* Chris Williams, Davide Strusani, David Vincent & David Kovo, *The Economic Impact of Next-Generation Mobile Services: How 3G Connections and the Use of Mobile Data Impact GDP Growth*, *in* THE GLOBAL INFORMATION TECHNOLOGY REPORT 2013: GROWTH AND JOBS IN A HYPERCONNECTED WORLD 77, 77 (Beñat Bilbao-Osorio et al. eds., 2013) (prepared for the World Economic Forum), *available at* http://www3.weforum.org/docs/WEF_GITR_Report_2013.pdf (noting that the continued evolution of Internet-based distribution systems is having an "unprecedented" impact on the U.S. and global economy); THOMAS ROGERS & ANDREW SZAMOSSZEGI, CAPITAL TRADE INC., FAIR USE IN THE U.S. ECONOMY: ECONOMIC CONTRIBUTION OF INDUSTRIES RELYING ON FAIR USE 10 (2011) (prepared for the Computer & Communications Industry Association ("CCIA")), *available at* http://www.ccianet.org/wp-content/uploads/library/CCIA-FairUseintheUSEconomy-2011.pdf (noting that "[t]he advent of the Internet and networking technology . . . has been widely credited with reviving U.S. productivity growth after two decades of below-trend productivity").

[12] *See The Register's Call for Updates to U.S. Copyright Law: Hearing Before the Subcomm. on Courts, Intellectual Prop. & the Internet of the H. Comm. on the Judiciary*, 113th Cong. (2013) (statement of Maria A. Pallante, Register of Copyrights and Director, U.S. Copyright Office); Maria A. Pallante, Register of Copyrights and Director, U.S. Copyright Office, *The Next Great Copyright Act*, Twenty-Sixth Horace S. Manges Lecture (Mar. 4, 2013), *in* 36 COLUM. J.L. & ARTS 315 (2013).

namic and commercially important as the creation and dissemination of content? At what point might the success of the institution depend not upon the faithful execution of long-established policies, but rather upon the willingness and flexibility to reimagine itself?

The Copyright Office dates back to 1897[13] and its statutory duties have evolved over time.[14] But stakeholders today want a twenty-first century enterprise. Some of their expectations arise from the premise that functions and standards of the Office should be interoperable with those of the marketplace it serves. This would require, for example, investing in or certifying global data standards for identifying content and licensing terms; adopting or certifying image recognition processes; installing commercial-grade digital security measures to ensure the safety of registered works; and making significant upgrades to the interface and operation of the Office website, which serves as the portal for registration, recordation, rulemakings, and other statutory obligations, including the critically important duty to administer a current directory of designated service provider agents relating to ISP liability under the Digital Millennium Copyright Act. Some would have the Office take on yet additional roles, such as administering an online small claims tribunal or new licensing databases. Others see little hope that the Office can acquire the resources or technical capacity that it needs to move forward, and would therefore redefine its role appreciably.[15]

To be fair, many of the Office's services are now online and its website is the point of contact for most communications, legal proceedings, and services. In fact, 80% of registration applications are now submitted in part through the website (about half these applications involve physical

[13] *See* Act of Feb. 19, 1897, ch. 265, 29 Stat. 538, 545 (1897) (providing for the creation of a separate Copyright Department in the Library of Congress and the position of Register of Copyrights).

[14] Copyright Office duties are enumerated in Title 17 of the U.S. Code and include: examining and registering copyright claims; recording assignments, licenses, termination notices, security interests, and other copyright documents; administering statutory licenses (affecting online music services, cable operators, satellite carriers, and broadcasters); delivering policy assistance and expert studies to Congress; providing legal assistance to federal agencies, for example the Department of Justice, the U.S. Trade Representative, and the Department of Commerce; participating in negotiations and international meetings; conducting rulemakings and public hearings; reviewing final determinations of rates and terms for statutory licenses as set by the Copyright Royalty Judges; and maintaining public databases, an authoritative website, and related information and education services.

[15] *See, e.g.*, Members of the CPP, *supra* note 9, at 1203 (suggesting that the Office should transition away from the "day-to-day operation of the copyright registry and toward a role of setting standards for and superintending a system of separate but networked and interoperable private registries").

deposits that the applicant then mails to the Office). Nonetheless, the Office's technical capacities (its bandwidth, networking equipment, electronic storage capacity, hardware and software, and the like) do not fully accommodate these services and require both short-term and long-term solutions.

In the long run, decisions about technology will not only inform but decide the success of the Copyright Office and its ability to interact with and support a modern copyright ecosystem. As the Copyright Office evolves and matures, one question is the degree to which its systems should continue to be intertwined with and managed through the Library's technology enterprises. It requires an assessment of institutional synergies, on the one hand, and the increasingly sophisticated and specific requirements of the copyright law, on the other hand.[16]

This is not to minimize the extraordinary scope of the Library as both an institution and mother agency. Its collections are incomparable by any number of standards[17] and its scholarship and programs are equally immeasurable.[18] The point is that the technology needs of the Copyright Office are distinct and require appropriately specific consideration.[19]

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[16] Organizationally, the Copyright Office is a department of the Library of Congress. Like other departments, it participates in agency-wide protocols and relies upon shared services as appropriate—for example, in the areas of legal counsel, labor relations, human resources, financial controls, and facilities support. However, the Office's duties are prescribed by the Copyright Act.

[17] *See Hearing Before the Subcomm. on the Leg. Branch of the H. Comm. on Appropriations*, 113th Cong. 2 (2013) (statement of Dr. James H. Billington, Librarian of Congress), *available at* http://appropriations.house.gov/uploadedfiles/hhrg-113-ap24-wstate-billingtond-20130227.pdf ("The Library is, quite simply, an irreplaceable asset for the United States. I have called it the nation's strategic information reserve. It was for instance the only institution anywhere able to give back to the Afghan people enough copies of historical records of their own legal past to resume a tradition that had been eradicated by the Taliban. And the Library possessed the only paper produced in the U.S. government that described from an obscure Arabic periodical the basic terrorist scenario followed on 9/11 before it happened.").

[18] *See Hearing Before the Committee on Science, Space and Technology*, 113th Cong. 2 (2013) (statement of Dr. Stevan Dick, Barcuh S. Blumberg NASA/Library of Congress Chair of Astrobiology), *available at* http://science.house.gov/sites/republicans.science.house.gov/files/documents/HHRG-113-SY-WState-SDick-20131204.pdf (discussing the search for microbial or intelligent life in the universe and what it means for the development of both scientific and societal theories).

[19] *See* Nanette Petruzzelli (former Associate Register for the Registration Program), Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 3 (May, 18, 2013) ("Although the Office is a department of the Library of Congress, the Office now creates (unlike the

II. THE FUTURE IS NOW

> *There is little doubt that our copyright system faces new challenges today .... Even the Copyright Office itself faces challenges in meeting the growing needs of its customers — the American public.*
> - House Judiciary Chairman Bob Goodlatte, April 24, 2013[20]

The customers of the Copyright Office are both copyright owners and those who seek copyright information for research or business needs, for example, those seeking data about copyright ownership, the termination of legal transfers, or the expiration of copyright term. They have high expectations and their needs will only increase in the years ahead. For the Office to ignore the growing demand for more innovative services would be irresponsible, even though staffing shortages, budget reductions, workload issues, systems challenges, and the general business of the day would seem to provide plenty of good reason. Indeed, in this environment, asking overworked public servants to contribute to the future viability of the institution may not only be abstract, but a little unfair. We asked them anyway, knowing that for many employees, the work of the Copyright Office is more than a job.

Throughout the summer of 2011, our senior leaders held dozens of internal meetings with staff at all levels (e.g., examiners and other registration experts, public information staff, lawyers, systems analysts, and finance experts) in order to discuss and prioritize the needs of the Office. From there, we crafted a number of priorities regarding future services, and invited interested employees to join, and in some cases, lead the efforts, as an adjunct to their usual duties.[21]

On October 25, 2011, we announced a series of "special projects" (the "Project(s)") to the public and commenced a two-year work plan to carry them out.[22] As described in more detail in our 2011 *Priorities and Special*

Library) records of works which . . . give copyright information as opposed to bibliographic (library) information.").

[20] Press Release, U.S. House of Representatives Committee on the Judiciary, Chairman Goodlatte Announces Comprehensive Review of Copyright Law (Apr. 24, 2013), *available at* http://judiciary.house.gov/news/2013/04242013_2.html.

[21] While many employees participated, others served in leadership capacities, including: Doug Ament, Katrina Anderson, John Ashley, John St. Amour, Erik Bertin, Kim Brown, Mike Burke, David Christopher, Karyn Temple Claggett, Joanna Corwin, Melissa Crawford, Melissa Dadant, Adam Friedman, Annette James, Rob Kasunic, Zarifa Madyun, Wendi Maloney, Alicia Mroczyk, Larisa Pastuchiv, Christopher Reed, Megan Rivet, Catherine Rowland, Jacqueline Smith, Gail Sonnemann, Kathryn Sukites, Syreeta Swann, George Thuronyi, Susan Todd, and Thomas J. Willis.

[22] The Office announced the Projects as part of a broader publication that included the history of the Copyright Office and pending policy issues. *See*

Projects document,[23] the Projects focused the Office on a number of critical challenges, including: (1) attracting, retaining, and training a highly skilled and multi-talented staff; (2) creating relationships with academic institutions and scholars; (3) meeting the increasing public demand for copyright information and education; (4) updating, reconciling, and publishing registration practices; (5) reengineering the recordation process and making historic records available; (6) addressing problems in technology infrastructure and improving the website; and (7) updating the fee schedule and improving fiscal health.

The response was positive. For example, the Software and Information Industry Association called the *Priorities* document "an excellent roadmap for the most significant legislative, international and administrative copyright issues facing copyright holders and the Office now and into the immediate future."[24] The U.S. Chamber of Commerce called it a "forward-thinking vision for the Copyright Office and the American copyright system."[25] And the Copyright Clearance Center said the U.S. Congress should "consider the issues with urgency as recommendations are created."[26]

III. THE NEXT GENERATION COPYRIGHT OFFICE

Given the increasing importance of both digital distribution and electronic recordkeeping with respect to all manner of copyrighted works, we believe

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Director of U.S. Copyright Office Announces Priorities, Special Projects for Next Two Years, U.S. COPYRIGHT OFFICE NEWSNET, no. 435 (Oct. 25, 2011), http://www.copyright.gov/newsnet/2011/435.html.

[23] *See* MARIA A. PALLANTE, PRIORITIES AND SPECIAL PROJECTS OF THE U.S. COPYRIGHT OFFICE: OCTOBER 2011-OCTOBER 2013 (2011), *available at* http://www.copyright.gov/docs/priorities.pdf.

[24] Software & Information Industry Ass'n, *Digital Policy Roundup: Copyright Office Declares Priorities, Cybersecurity and Cloud Computing Still a Focus for the Hill*, SIIA DIGITAL DISCOURSE (Oct. 26, 2011), http://www.siia.net/blog/index.php/2011/10/copyright-office-declares-priorities-cybersecurity-and-cloud-computing-still-a-focus-for-the-hill.

[25] *Chamber Applauds the Release of Copyright Office's Strategic Plan*, GLOBAL INTELLECTUAL PROPERTY CENTER, U.S. CHAMBER OF COMMERCE (Oct. 25, 2011), http://www.theglobalipcenter.com/chamber-applauds-release-copyright-offices-strategic-plan.

[26] Press Release, Copyright Clearance Center, CCC Statement on the Priorities and Special Projects of the United States Copyright Office (Oct. 25, 2011), *available at* http://www.copyright.com/content/cc3/en/toolbar/aboutUs/newsRoom/newsArticles/news_2011/news_2011_10/ccc_statement_onthepriorit iesandspecialprojectsoftheunitedstates.html.

> *the Office would be remiss if it failed to position itself now to collect information that will be of increasing importance in the digital age.*
> - Domestic and International ISRC Agencies, May 21, 2013[27]

In sharing the conclusions of the Projects, I should reiterate that some were easier to accomplish than others. Certain measured improvements (for example, the partnerships with academic institutions and scholars, and expert training for staff I mentioned at the outset) were possible to achieve before the Projects phase ended. In large part this is because they did not require significant expenditures or investments. It is also true that these particular projects were internally driven objectives, although the copyright community offered its enthusiastic support.

A. Staffing

Ultimately, I believe the Copyright Office will need to create a number of new positions to support both the volume and complexity of statutory, regulatory, and technology responsibilities. Meanwhile, as an initial step to realign resources and staff where there are gaps, we have begun the reconstruction of our Information and Records Division into two distinct divisions. One division will be dedicated to records and repositories, including the critical roles of: (1) making historic records available;[28] (2) improving and enforcing metadata standards for copyright records; and (3) ensuring the security of physical and digital copyright deposits. Secure repositories for digital files were not created during the previous reengineering process and are now urgent. The other division will remain focused on public information and education, including ongoing improvements to the website, but with a level of leadership, staffing, and programming that is required for twenty-first century demands. This is because the website is not only an authoritative source for copyright law and related information,

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[27] ISRC Agencies, Comments Submitted on behalf of the International Federation of the Phonographic Industry and Recording Industry Association of America in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 4 (May 21, 2013). The ISRC Agencies administer the International Standard Recording Code ("ISRC"), "an international identification system for sound recordings and music video recordings." *What Is an ISRC?*, ISRC, http://www.usisrc.org/about/index.html (last visited Feb. 26, 2014). The ISRC Agencies' comments were endorsed by the National Music Publishers' Association ("NMPA"), including its wholly-owned subsidiary, the Harry Fox Agency, Inc. *See* NMPA, Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 1 (May 20, 2013).

[28] To date, the Copyright Office has digitized 31.2 million records using a two-step quality assurance process and has engaged with the public regarding ways in which to make these searchable and accessible as quickly as possible, even in rudimentary form.

but also the primary tool by which the Register carries out her statutory duty to administer the provisions of Title 17.

Staffing is an ongoing issue, in part because of the difficult budget environment of the past four years.[29] The ability to attract experts in law and technology is more challenging than ever. Salaries of the federal civil workforce have remained frozen at 2010 levels, and budget cuts have had a serious effect on morale.[30] In fiscal year 2012, the Library of Congress administered voluntary separation programs for employees as a way of reducing payroll obligations in response to decreasing budget authority levels. The program prevented furloughs at the time, but the Copyright Office lost ten percent of its staff, creating more work and more pressure for the employees that remain. During the five-year period from 2007 to 2012, the Office's number of full-time staff fell from 483 to 396, its lowest number in decades. In fiscal year 2013, the Copyright Office and all other parts of the Library were required to furlough staff for a period of three days.

B. Technical Upgrades

> *In the past five years, unit sales of trade eBooks have increased over 4,456%. This exponential expansion of digital content means that the technological capabilities and limitations of the Copyright Office are increasingly relevant to the business efficiency of AAP member publishers.*
> - Association of American Publishers, Inc., May 21, 2013[31]

The Copyright Office's Technical Upgrades Project[32] acknowledged shortcomings that were already widely known among the Office's major

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29 *See generally* OFFICE OF MANAGEMENT & BUDGET, OMB SEQUESTRATION UPDATE REPORT TO THE PRESIDENT AND CONGRESS FOR FISCAL YEAR 2014 (2013), *available at* http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/sequestration/sequestration_update_august2013.pdf.

30 A pay increase of one percent was implemented following this lecture. *See* Press Release, White House, Executive Order — Adjustments of Certain Rates of Pay (Dec. 23, 2013), *available at* http://www.whitehouse.gov/the-press-office/2013/12/23/executive-order-adjustments-certain-rates-pay; Lisa Rein, *Obama Issues Executive Order Giving 1 Percent Raise to Federal Workers*, WASH. POST, Dec. 23, 2013, http://www.washingtonpost.com/politics/obama-issues-executive-order-giving-1-percent-raise-to-federal-workers/2013/12/23/9c52531e-6c21-11e3-aecc-85cb037b7236_story.html.

31 AAP Comments, *supra* note 5, at 1-2.

32 The Technical Upgrades Project was the primary responsibility of Doug Ament, Chief Information Officer of the Copyright Office, with assistance from Joanna Corwin, Project Manager, Christopher Reed, Senior Advisor for Policy and Special Projects, Susan Todd, Registration Program Manager, Annette James, Business Analyst, and Vcentra, LLC, an independent consultant.

constituencies — authors, publishers, producers, and users of copyright information — regarding the reliability, security, and searchability of Office records. After meeting with a number of technology experts, we published a Federal Register Notice asking for written comments on a number of key questions.[33]

Public response to the Notice was extremely informative, touching on both the registration and recordation systems, and more specifically on shortcomings with the user interface, quality of data and public records, standard identifiers, digital repository, information architecture and infrastructure, and customer experience. The American Intellectual Property Law Association said its members want the Copyright Office re-engineered so that data can be processed "in a way that can be easily printed, viewed, and forwarded outside of the system, and that allows clients to sign applications prepared by attorneys."[34] The American Society of Media Photographers noted "a real need to upgrade the Copyright Office's system to incorporate cross-browser compatibility."[35] And Educational Testing Service (which files high volumes of applications for secure tests) indicated that the ability to link multiple account profiles to a single deposit account in the online registration system would do much to alleviate unnecessary costs and burdens.[36]

Many cited more basic frustrations, such as the need to make the workflow viewable throughout the registration process, including making it possible for applicants to halt and then resume work on their applications and to access previous applications for reference.

Some asked for features such as animated wizard assistants, customized dashboards, instant message, video communication, and webinars. Others asked for routine access to related file histories; customer support during West Coast business hours; the ability to update contact information easily and inexpensively; and the availability of more venues for public engagement, if not satellite offices, outside of Washington, D.C.[37]

Some noted the obvious connection between the credibility of Copyright Office records and certain policy challenges such as solving orphan

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[33] *See* Notice of Inquiry, *supra* note 3.

[34] American Intellectual Property Law Association ("AIPLA"), Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 2 (May 20, 2013).

[35] ASMP Comments, *supra* note 4, at 3.

[36] Educational Testing Service, Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 1 (Apr. 23, 2013).

[37] These issues were raised in a variety of stakeholder discussions, as well as some of the written comments submitted to the Office. *See, e.g.*, Comments of AIPLA, GAG, AAP, Legal Zoom.com, the American Bar Association ("ABA"), and the American Society of Composers, Authors and Publishers ("ASCAP").

works problems. For example, the American Association of Independent Music said that the "Copyright Office database should become a key searchable source for copyright information so that creators' works are easily identifiable and do not become Orphan Works."[38] SoundExchange underscored the importance of incorporating the kinds of standards used in third-party databases (such as ISRC numbers for sound recordings), which will in turn strengthen "the public's trust in and reliance on the Copyright Office as a repository of valuable information."[39] ASCAP noted the importance of aligning public registration information with the "world musical works repertoires."[40]

C. *Registering Copyrights in Digital Works*

> *As a special bonus for copyright geeks, we will finally be getting a revision to the Copyright Office Compendium!*
>
> - Title17.net, October 25, 2011[41]

Nothing perhaps is as important for the Office as ensuring the ongoing integrity of the registration system as measured by its technical rules and practices. In other words, while the Office strives for speed and efficiency when registering copyright claims, it cannot do so at the expense of quality and accuracy.

Under the leadership of a project manager and senior attorneys in the Copyright Office,[42] an internal team of registration experts engaged in various schedules of auditing, reconciling, and documenting current registration practices across the Literary, Performing Arts, and Visual Arts divisions of the Office. The team devoted special attention to legal developments in the courts, as well as the more practical developments in the ways in which works of authorship are created and made available to the

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38 American Association of Independent Music ("A2IM"), Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 1 (May 21, 2013).

39 SoundExchange Comments, *supra* note 7, at 3.

40 ASCAP, Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 5 (May 21, 2013).

41 *See* Paul Fakler, *Copyright Office Releases Report of Office Policies and Special Projects*, TITLE17.NET (Oct. 25, 2011), http://title17.net/archives/221.

42 The Register's Office assembled a team of experts to manage the rewrite of the Compendium, including Mary E. Rasenberger (independent legal consultant); Erik Bertin, Catherine Rowland, William Roberts, Maria Strong, Christopher Reed, and Abioye Oyewole (Copyright Office attorneys); Chad Becker, Kim Robinson, and Shawn Thompson (registration experts); McKenna Rain (information systems); and Dayna Cooper (paralegal support). Senior attorneys Rob Kasunic (head of registration policy) and Jacqueline Charlesworth (General Counsel) provided legal review and will jointly conduct ongoing rulemaking and other updates to registration practice.

public. Two professional organizations, the Copyright Society of the USA and the American Bar Association Section on Intellectual Property Law, formed reading committees on behalf of their memberships to support the highly technical drafting and editing process.

Where prior versions of the Compendium principally addressed the Copyright Office staff, the revised Compendium addresses its customers as well — providing statutory authority, regulatory guidance, and direction to those who submit registration applications, record copyright transactions, and inspect records. A key goal is to make the Office's practices more transparent and accessible: anyone who consults the Compendium will be able to find a wealth of legal and practical guidance.

The Copyright Office is aware that deference to its expert administrative authority turns upon the ongoing evaluation, upgrade, and articulation of our practices and the correlation of those practices to the state of the law. Thus the new Compendium will address authorship in the digital age, including the registration of website content and other born-digital works. It will provide assistance in determining whether online works are published, present new information on group registration options, and offer guidance as to what authorship or works may be covered by a given registration. (The scope of works covered by a registration is not always self-evident today, for instance, where a website contains a great number of contributions from many authors and when the content changes daily or several times a day.)

A critical part of our revision process has been reconciling practices that evolved since the last comprehensive update in 1984. During the intervening years, a combination of legal developments and practical concerns — for example, changes in workflow brought about by the transition to electronic processes — forced a number of adjustments and, in some cases, the adoption of abbreviated measures. The Office had implemented many of these measures to absorb and process the major backlog of registration applications that accumulated during the 2007–08 transition from a paper to electronic system. We have reevaluated these practices and in many cases will replace them with practices aimed at creating maximally useful registration records. The challenge will be doing so while maintaining an acceptable pace of service (the average time for electronic claims, barring complications in the claim itself, hovers around four months).

The Compendium revision is an extremely important undertaking as far as it goes. But what has become clear to the Office (in part from its discussions with stakeholders and in part from its own expertise in law and business) is that the Compendium revision is but the first step in developing a registration program for the twenty-first century. The symbiotic relationship between copyright law and technological change requires the Compendium to be a dynamic document that evolves with changes to the

marketplace. Indeed, the registration system itself must become more flexible to meet the changing needs of the creative communities and the general public. The Office will therefore be assessing its business organization and creating new teams of examiners with new kinds of expertise as appropriate. For example, we are concerned about the challenges that photographers and visual artists face within the current registration system, and may well need to add specialized staff to examine computer software registrations. We also understand the points raised by the recording industry in suggesting that registrations would ideally identify separate tracks of recorded music, even when registered as part of an album.[43]

The Copyright Office will be convening many stakeholder meetings in the coming year to discuss the continued development of registration practices, both evolutionary and wholly new.[44] One complexity is the nature of the deposit that is required both for the examination process and the preservation of the copyright record (the Office must be able to certify the copyright record for parties as necessary, for example, in the case of infringement litigation). For published works, copyright owners must deposit copies that meet "best edition" criteria.[45] But Title 17 provides some flexibility to the Register to define the format and quality of the deposit as appropriate.[46] If registration is currently too cumbersome and too expensive for some, it might be significantly improved by requiring more efficient deposits (MP3s for sound recordings or thumbnail images for photographers, even for published works, for example). This kind of paradigm shift would make it more possible to design a process that achieves registration using an app on a mobile device.

At the same time, the Library of Congress has long been a beneficiary of the registration system. It consults the deposits submitted for copyright registration and makes selections for the national collection, although to date these have been primarily physical formats.[47] Addressing these com-

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[43] Recording Industry Association of America ("RIAA"), Comments Submitted in Response to U.S. Copyright Office's March 22, 2013 Notice of Inquiry at 2 (May 21, 2013) [hereinafter "RIAA Comments"].

[44] These discussions will be convened jointly by the Registration Program and General Counsel's Office.

[45] *See* 17 U.S.C. § 101 (2012).

[46] *See id.* § 408(c).

[47] In fiscal 2012, the Library selected approximately 8.6% of its acquisitions from the Copyright Office registration program, *i.e.*, works submitted by copyright owners for the purpose of legal examination and registration. In fiscal 2013, the number increased slightly to 10.4%. *See* LIBRARY OF CONGRESS, FISCAL 2014 BUDGET JUSTIFICATION 133, 141 (2013), *available at* http://www.loc.gov/about/reports/budget/fy2014.pdf (providing fiscal 2012 statistics); LIBRARY OF CONGRESS, FISCAL 2015 BUDGET JUSTIFICATION (Feb.

peting desires in the context of digital works, i.e., the desire to make the registration process more efficient, more secure, and less expensive for copyright owners, and the desire to supplement the Library's collection with works that are in preservation-quality formats is no small challenge. It will inevitably require some imagination, as well as changes to the copyright law and adjustments in agency operations.[48]

Data security also requires a new paradigm. As digital works become more and more prevalent, copyright owners deserve clarity as to the security of their digital files. Particularly in the context of registration, where copyright owners submit their works for the purpose of obtaining legal protections, both the Copyright Office (for its registration needs) and the Library (for its collection needs) will have to offer and maintain secure repositories and other safeguards that inspire confidence and participation in the copyright system.[49] This concern is further heightened for works

2014) (providing fiscal 2013 statistics) (on file with the U.S. Copyright Office).

The concept of copyright registration predates the Library of Congress, but it became a major catalyst in the Library's growth during the period following the Civil War. *See generally* JOHN Y. COLE, JEFFERSON'S LEGACY: A BRIEF HISTORY OF THE LIBRARY OF CONGRESS (1993), *available at* http://www.loc.gov/loc/legacy/loc.html (explaining that between the years 1865 and 1897, registered works played a crucial role in the development of the Library of Congress into a national institution); *see also* Act of May 31, 1790 (Copyright Act of 1790), § 3, 1 Stat. 124.

48 In one example, Mother Nature provided the impetus to move forwrd. The March 2011 earthquake and tsunami in Japan destroyed the Sony plant responsible for 100% of the global supply of IIDCAM-SR media, 40% of the Blu-Ray media, and other production-quality tapes. The Copyright Office reworked its deposit requirements to allow the copyright owners of television programs to transmit digital files to the Library's state-of-the-art facility for audio-visual preservation in Culpepper, Virginia (David Packard campus). Although participation in the program has been minimal, it may nonetheless offer a starting point for discussing the registration preferences and security expectations of stakeholders when it comes to digital files.

49 The Library also receives certain published works through the separate provisions of "mandatory deposit" in Title 17, provisions that the Copyright Office administers on behalf of the Library and in accordance with the statute. These provisions legally require copyright owners to deposit copies of their works within three months of publication in formats specified by regulation. *See* 17 U.S.C. § 407(a) (2012). Most national libraries around the world have similar provisions and most are struggling with the complexities of demanding and securing works that are digital. *See generally WIPO Second Survey on Voluntary Registration and Deposit Systems*, WORLD INTELLECTUAL PROPERTY ORGANIZATION (2010), http://www.wipo.int/copyright/en/registration/registration_and_deposit_system_03_10.html.

that are unpublished, as such works generally receive a higher presumption of protection against unauthorized copying or dissemination.[50]

D. Recording Transfers, Security Interests, and Other Documents

> *At a time when virtually all business-to-business communications are carried out electronically, the inability of registrants to file transfers of copyright ownership, license agreements and other relevant documents with the Office electronically deters copyright owners from filing relevant documents.*
>
> - Recording Industry Association of America, May 21, 2013[51]

There is no general requirement that copyright owners or, for that matter, anyone, record with the Copyright Office transfers of copyright ownership, licensing information, security interests, or other matters relevant to the progression of copyright interests. But as with registration, the law provides some incentives.[52] For those who do participate, the Office sets certain minimum standards for the form and content of various recordable documents. It also maintains true and accurate copies of documents that are generally accepted by courts of law as authentic evidence of official transactions.[53]

Originally part of the strategy to bring registration processes online, the reengineering of the recordation system was tabled when the conversion of the registration program proved more urgent and expensive than expected. Like many things viewed in hindsight, it may in fact be advantageous that this was so. The Office now has an opportunity to remake the recordation function in a manner that will better serve the current marketplace, rather than migrating the system of the twentieth century.[54] As stated by one expert, if the Copyright Office were to create a system that used global standard identifiers, it would make the Office data "interoperable with worldwide databases."[55]

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50 *See* Harper & Row Publishers, Inc. v. Nation Enters., 471 U.S. 539, 553 (1985) ("The right of first publication implicates a threshold decision by the author whether and in what form to release his work . . . . Because the potential damage to the author from judicially enforced 'sharing' of the first publication right with unauthorized users of his manuscript is substantial, the balance of equities in evaluating such a claim of fair use inevitably shifts.").

51 RIAA Comments, *supra* note 43, at 2.

52 *See* 17 U.S.C. §§ 205, 302(d), 304(c)(4)(A) (2012).

53 *See id.* § 410(c).

54 Also helpful are the 2010 congressional resolutions that validated the use of e-signatures for online transactions. *See* H.R. Con. Res. 290, 111th Cong. (2010) (enacted); S. Res. 576, 111th Cong. (2010) (enacted).

55 Paul Jessop, County Analytics, Ltd, Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 9 (May 20, 2013).

The documents recorded with the Copyright Office are not only a helpful resource but also, at times, the authoritative source of information for legal purposes. Among other things, people may rely on this information to resolve ownership issues; document transfer agreements, assignments, and licensing agreements; verify the legitimacy of alleged prior transactions before entering into new ones; compile information on a copyright owner's portfolio of registrations; and research the extent to which a work is protected by the copyright law. Notwithstanding the usefulness of the Office's data, there is room for significant improvement. For example, Author Services, Inc., explained that "there is not enough information to determine the ownership if there is a transfer and the contact information of the parties and/or owner and/or new owner are not available as part of the online card record."[56]

For certain termination documents (the notices sent by authors or their heirs to terminate a prior grant of copyright interests), recordation with the Copyright Office is mandatory to exercise the right. Termination is a significant legal entitlement, making it possible for authors to recapture the value of their works later in life, but no earlier than either thirty-five years from execution of the grant to be terminated or fifty-six years after the copyright was issued (depending on the date of the transfer).[57] For books, movies, films, and songs that are still lucrative after many years, the stakes can be high. Thus, the regulations and practices of the Copyright Office must be clear, and the Office must be accurate and timely in its review and public indexing of the notices. Many issues relating to termination notices are now becoming ripe for the first time for transfers executed after effective date of the 1976 Act, and there is consequently some urgency for the Office to maximize the usefulness of its termination records.

After meeting with law firms, businesses, and trade associations in the past year and half, we have clarified a few issues. For example, we recognize that some legal changes to the recordation process may be prudent to make recordation optimally useful. In other words, the system ideally would be far less voluntary than it currently is, meaning that more authors, publishers, producers, licensees, heirs, and assignees would be incentivized, if not required, publicly to assert their ownership interests as a condition of maintaining certain remedies or other protections, including the ability to seek statutory damages. I have discussed this issue before, as have many others.[58]

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[56] Author Services, Inc., Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 3 (May 3, 2013).

[57] *See* 17 U.S.C. §§ 203, 304 (2012).

[58] *See, e.g.*, Remarks at the Revitalizing Formalities Symposium sponsored by the Berkeley Center for Law & Technology and the Berkeley Technology Law

Legal incentives to record, however, are only half the story of building a comprehensive, accessible public record of copyright transactions, and hence of ownership of copyright interests. Recording is now a cumbersome, costly process that requires manual examination and data entry from paper documents. That process must become far easier, more efficient, and less expensive than it now is. Some local government offices that record real property documents now have systems that accept "self-examining" and "self-cataloguing" electronic documents. The documents contain integrated, formatted information that can be validated and used to create catalog entries. As a result, the systems can "examine" and catalog most documents without human intervention, and can place processed documents on public record within minutes.

The Copyright Office can and should work with its customers to create similar kinds of electronic submission standards for copyright documents. We might also need to ask remitters to enter their own cataloging information — with proper guidance, validation, and quality control from Copyright Office staff — placing the legal burden of submitting accurate information on the remitters. Such innovations could dramatically reduce the cost and increase the speed of recording, and go a long way toward making recording an inexpensive, ingrained habit of everyone engaged in significant copyright transactions.

Whatever the answer, addressing the recordation process is not something that can wait. It is as urgent and essential as the national registration system, and indeed, the effectiveness of one is intertwined with the other. Unfortunately, the public won't tolerate a system that doesn't work well. Said one company, when "search results are returned by the Office's systems, they tend to include numerous irrelevant results" and that "[i]mplementing search filtering by work type would be a useful improvement to the Office's public-facing search capabilities."[59] And as noted at the beginning of this lecture, if the Office could adopt unique identifiers for authors, musical works, and sound recordings, it could significantly improve the performance of registration and recordation registries. Thus, in the months ahead (notwithstanding the long-term budget needs in this

Journal (April 18, 2013). For more information on this symposium, see BerkeleyLaw, http://www.law.berkeley.edu/14263.htm (last visited Dec. 23, 2013); Jane C. Ginsburg, "With Untried Spirits and Formal Constancy": Berne-Compatibility of Formal Declaratory Measures to Enhance Title-Searching, Columbia Public Law Research Paper No. 13-346 (2013), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2262924##.

[59] Music Reports, Inc., Comments Submitted in Response to U.S. Copyright Office's Mar. 22, 2013 Notice of Inquiry at 3 (May 21, 2013).

area), the Office will seek additional input from stakeholders and experts through a number of public fora.[60]

III. TOO SMALL TO FAIL

> *[We] hope that Congress will recognize the pressing need to upgrade the Copyright Office's digital systems and to make the same kind of continuing investment in digital technologies as working photographers and most businesses have had to make in order to remain in business.*
> - American Society of Media Photographers, May 21, 2013[61]

Although it is small,[62] the Copyright Office contributes enormously to the development of copyright law, the economy, and cultural heritage of the nation.[63] But funding is scarce. In fiscal year 2013, the Office had an overall budget of just $44.2 million. About $28.7 million of that (or two-thirds) came from fees paid by copyright owners for registration, recordation, and other public services.[64] The other third (approximately $15.5 million) came from appropriated dollars.[65]

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60 Professor Robert Brauneis, Abraham Kaminstein Scholar in Residence at the Copyright Office, will be coordinating these proceedings. Students from the Copyright Office Practicum at Stanford Law School, working under the general direction of Professor Paul Goldstein, are also studying these issues and considering solutions.

61 ASMP Comments, *supra* note 4, at 6.

62 In fiscal year 2012, the Library employed 3,270 staff, as follows: Library Services (1,350); Congressional Research Service (616); U.S. Copyright Office (396); Library Office of Strategic Initiatives (337); Library Office of Support Operations (230); Office of the Librarian (131); National Library Service for the Blind and Physically Handicapped (105); Law Library of Congress (90); and Office of the Inspector General (15). LIBRARY OF CONGRESS, ANNUAL REPORT OF THE LIBRARIAN OF CONGRESS 88 (2013), *available at* http://www.loc.gov/about/reports/annualreports/fy2012.pdf.

63 *See* 159 CONG. REC. H5777 (daily ed. Sept. 20, 2013) (statement of Rep. Visclosky), *available at* http://www.gpo.gov/fdsys/pkg/CREC-2013-09-20/pdf/CREC-2013-09-20-pt1-PgH5773-3.pdf#page=5, ("What about the U.S. Copyright Office? For God's sake, what is there to fight over in funding the Copyright Office?").

64 In keeping with 17 U.S.C. § 708, the Office conducts periodic studies of costs and adjusts fees accordingly. It undertook this process most recently as one of the Projects discussed herein. In raising some fees but not others, it considered the costs of its services as well as the objectives of the copyright system. *See* U.S. COPYRIGHT OFFICE, PROPOSED SCHEDULE AND ANALYSIS OF COPYRIGHT FEES TO GO INTO EFFECT ON OR ABOUT APRIL 1, 2014 (2013), *available at* http://www.copyright.gov/docs/newfees/USCOFeeStudy-Nov13.pdf.

65 From 2010 to 2013, the Office has absorbed a 20.7% reduction in appropriated dollars and an 8.5% reduction in total budget authority, leading to staffing shortages and gaps in technology maintenance plans.

An appropriation of $15.5 million seems modest in comparison to the public importance of the copyright system, including free access to ownership information, transfers, and other data that drive commercial and cultural development. Moreover, the value of the works acquired by the Library through the Copyright Office — from registration as well as the mandatory deposit provisions of the Copyright Act — is almost double the annual appropriation. In Fiscal 2012, the total estimated value of works transferred to the Library was over $30 million.[66] This is a remarkable positive return on the Office's appropriation, making it one of the great government bargains for taxpayers. The question is whether this system is a sustainable equation.

How well the Copyright Office will be able to perform its services in the future will turn on the strategies of the kind proffered by the staff and stakeholders, as well as the investments that are put in place today. As the fee provisions of Title 17 do not encompass capital improvements, these would require either a statutory change or additional appropriated dollars.[67] (As I mentioned earlier, this also assumes more direct responsibility for the Copyright Office in managing our technology needs.)

More generally, the Office would benefit greatly from more flexibility in its legal spending authority. Three things stand out in this regard. First is the ability to build a reserve account from the fees collected that the Office can rely upon both for necessities and emergencies across budget cycles, including during periods when incoming fee receipts fluctuate.[68]

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66 *See* FISCAL 2014 BUDGET JUSTIFICATION, *supra* note 47, at 141.

67 *See* Press Release, Public Knowledge, Public Knowledge Commends Copyright Office on New Priorities (Oct. 25, 2011), *available at* http://www.publicknowledge.org/public-knowledge-commends-copyright-office-new-pri ("We hope that Congress will recognize the great needs of the Office to bring its technical registration systems into the 21st century and give the Office the resources it needs to complete that important task.").

68 17 U.S.C. § 708(d) states, "Such fees that are collected shall remain available until expended." However, in the practical context of the budget process, Congress has frequently required the Office to offset its request for appropriated dollars by the amount of reserve income it may have at the end of a fiscal year. In addition to leaving the Office with no financial cushion by which to run its operations, this approach has left copyright owners, who pay fees, with subpar service and the general public, who depend upon appropriations, with subpar databases and other services. *Cf.* Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 22, 125 Stat. 284, 336 (2011) (codified at 35 U.S.C. § 42(c) (2012)) (authorizing the U.S. Patent and Trademark Office to deposit a portion of patent and trademark fees into a reserve fund, which the Office may access and spend as needed to run its operations, irrespective of its annual appropriations from Congress); Innovation Protection Act, H.R. 3349, 113 Cong. (2013) (proposed legislation providing for the permanent funding of the U.S. Patent and Trademark Office).

Second, and even better, would be a multiyear budget cycle, as this would allow the Copyright Office to engage in a level of entrepreneurial planning that is not possible under an annual appropriations process. The Office's budgetary challenges have been greatly exacerbated in the past three years, in which Congress has enacted reduced budgets late in the fiscal year. But even apart from such extremes, a twelve-month cycle is inefficient, if not impossible, when so much of the administration of registration, recordation, and statutory licenses depends upon strategic, longer-range improvements to information technology systems.[69] And third, we should explore whether and how costs might be assessed through more innovative equations. This might include mechanisms to allow for the recovery of costs in the aggregate, or the recovery of capital costs that are in the interest of the copyright system, as a supplement to such funds as Congress may continue to appropriate and invest in the Copyright Office.

CONCLUSION

My lecture tonight reflects not the end of a process but the beginning. The Copyright Office is an important institution, serving a diversity of customers, a dynamic marketplace, and a field of law that continues to grow more and more complex. The special projects of the past two years were fulfilling, and at times exciting, but they were largely exploratory. Thus we will continue our work, making measured improvements under the Office's current administrative authority and working appropriately within budget realities.

However, the larger, future-looking issues — the next generation of services that so many of you envision — are another story. For me, these are issues of copyright policy, but they also speak to broader themes of government institutions and the meaning of public service. Such issues deserve, and will undoubtedly require, the talent and participation of the entire copyright community.

[69] Unlike the U.S. Patent and Trademark Office and federal courts, the Copyright Office did not have the legal authority to spend reserve fees during the October 2013 lapse in appropriations. It might otherwise have managed a small staff to process urgent registrations, such as those required by applicants for major business dealings or to get into court.

PART II

BRACE LECTURE

THIS AMERICAN COPYRIGHT LIFE: REFLECTIONS ON RE-EQUILIBRATING COPYRIGHT FOR THE INTERNET AGE

by PETER S. MENELL*

ABSTRACT

This article calls attention to the dismal state of copyright's public approval rating. Drawing on the format and style of Ira Glass's "This American Life" radio broadcast, the presentation unfolds in three parts: Act I – How did we get here?; Act II – Why should society care about copyright's public approval rating?; and Act III – How do we improve copyright's public approval rating (and efficacy)?

*Koret Professor of Law, University of California at Berkeley School of Law and co-founder and Director, Berkeley Center for Law & Technology. I owe special thanks to David Anderman, Mark Avsec, Robby Beyers, Jamie Boyle, Hon. Stephen G. Breyer, Andrew Bridges, Elliot Cahn, David Carson, Jay Cooper, Jeff Cunard, Victoria Espinel, David Given, Jane Ginsburg, Paul Goldstein, Jim Griffin, Dylan Hadfield-Menell, Noah Hadfield-Menell, Scotty Iseri, Dennis Karjala, Rob Kasunic, Chris Kendrick, Mark Lemley, Larry Lessig, Jessica Litman, Rob Merges, Eli Miller, Neal Netanel, Hon. Jon O. Newman, Wood Newton, David Nimmer, Maria Pallante, Shira Perlmutter, Marybeth Peters, Gene Roddenberry, Pam Samuelson, Ellen Seidler, Lon Sobel, Chris Sprigman, Madhavi Sunder, Gary Stiffelman, Pete Townshend, Molly Van Houweling, Fred von Lohmann, Joel Waldfogel, Jeremy Williams, Jonathan Zittrain, and the participants on the Cyberprof and Pho listserves for inspiration, perspective, provocation, and insight; and Claire Sylvia for her steadfast love, encouragement, and support. None of these people bear responsibility for what follows — and I suspect many will disagree with some or all of what I have to say. My hope is that the dot product of the reactions achieves the golden mean.

Following my presentation of the Brace Lecture, I had the opportunity to reprise the lecture at Cardozo Law School, George Washington Law School (and the D.C. Chapter of the Copyright Society), Hebrew University, Indiana University, the Northern California Chapter of the Copyright Society, Sony Pictures, Tel Aviv University, U.S. Copyright Office, University of California at Berkeley, University of California at Davis, University of California (Hastings), University of Pennsylvania, and the USC Intellectual Property Conference Speakers' Dinner. I thank Shyam Balganesh, Stefan Bechtold, Bob Brauneis, Ben Depoorter, Kristelia Garcia, Naomi Jane Gray, Justin Hughes, Linda Joy Kattwinkel, Joesph Liu, Mike Mattioli, David Morrison, Maria Pallante, Madhavi Sunder, Aimee Wolfson, Felix Wu, Christopher Yoo, and the numerous law students and copyright professionals who shared their reactions.

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I am deeply honored to deliver the Brace Lecture, which has long served as a platform for celebrating, understanding, and addressing the challenges of the copyright system.[1] I dare say that at no time in the Brace Lecture's forty-two year history, or for that matter, copyright law's 300 year history, has the copyright system been more severely criticized as being out of touch and out of date.

We are now thirteen years since Napster's revolutionary appearance — what seems like an eternity in the rapidly evolving Internet Age. My law students have come of age in the post-Napster era. Netizens who were in high school when peer-to-peer functionality went viral are now beyond the age at which no one should be trusted.[2] We have since seen the rise of innumerable file-sharing and cyberlocker services. The emergence of the Internet as a principal platform for distributing works of authorship has

[1] Prior Brace lecturers include many of the most influential copyright jurists, practitioners, and academics. I have had the honor to learn from and, in two cases, collaborate with prior Brace lecturers — David Nimmer, Paul Goldstein, Mark Lemley, and Jane Ginsburg. I also want to recognize special debts to the Honorable Stephen G. Breyer and the Honorable Jon O. Newman. I had the opportunity to write my first article on copyright law — *Tailoring Legal Protection for Computer Software*, 39 STAN. L. REV. 1329 (1987) — in a seminar led by then-Judge, now Justice, Breyer. His economic and policy orientation resonated with my graduate studies in law and economics and has provided a valuable foundation throughout my career. Following law school, I had the privilege to clerk for Judge Newman on the U.S. Court of Appeals for the Second Circuit. His deep interest in copyright jurisprudence and legislative history very much influenced my own understanding, appreciation, and interest in this extraordinary and dynamic field.

[2] The 1960s phrase "Don't Trust Anyone Over 30" was first uttered by Jack Weinberg, a UC Berkeley student involved with the Free Speech Movement, in an interview with the San Francisco Chronicle in 1964. *See Don't Trust Anyone Over 30, Unless It's Jack Weinberg*, BERKELEY DAILY PLANET (Apr. 6, 2000), http://www.berkeleydailyplanet.com/issue/2000-04-06/article/759.

focused public opinion on copyright law like at no other time in copyright's long history. As last year's cataclysmic battle over the Stop Online Piracy Act (SOPA) revealed, the glare of public opinion can be harsh.[3]

For those reasons, I would like to begin this year's Brace Lecture by calling attention to a topic that has not attracted much attention at such staid gatherings: copyright's public approval rating. For reasons that I will explain, the public's perception of the copyright system has become increasingly central to its efficacy and vitality. I believe that copyright's role in promoting progress in the creative arts, freedom, and democratic values depends critically upon restoring public support for its purposes and rules.

Rather than approach this lecture as merely an opportunity to present an academic paper, I have chosen a more personal and confessional approach. I hope that this will be more entertaining than a traditional lecture. But more importantly, I hope that my journey will better communicate the difficult challenges confronting the copyright system and reveal key insights for sustaining and improving it.

The confessional aspect of my story revolves around my struggle with what I will call technology-content schizophrenia[4] — a disorder that has not yet been recognized by the American Psychiatric Association.[5] From my earliest memories, I was drawn to both technological innovation and artistic creativity. As an adolescent, rock 'n roll music inspired "My Generation,"[6] providing an outlet and voice for our frustrations and desire to rebel against the injustice that surrounded us. Bob Dylan's anthems brought the values of the civil rights and anti-war movements into popular

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[3] *See* ARAM SINNREICH, THE PIRACY CRUSADE: HOW THE MUSIC INDUSTRY'S WAR ON SHARING DESTROYS MARKETS AND ERODES CIVIL LIBERTIES (2013).

[4] The *American Heritage Dictionary of the English Language* defines "schizophrenia" as "[a] situation or condition that results from the coexistence of disparate or antagonistic qualities, identities, or activities." *Definition of Schizophrenia*, AMERICAN HERITAGE DICTIONARY, http://education.yahoo.com/reference/dictionary/entry/schizophrenia (last visited Nov. 4, 2013).

[5] *See* AM. PSYCHIATRIC ASS'N, DIAGNOSTIC AND STATISTICAL MANUAL OF MENTAL DISORDERS (5th ed. 2013).

[6] *See My Generation*, WIKIPEDIA, http://en.wikipedia.org/wiki/My_Generation (last visited Nov. 4, 2013). Pete Townshend's anthems would feature prominently in my formative years. He told *Rolling Stone* magazine that "'My Generation' was very much about trying to find a place in society." *See id.*

culture. How better to understand the Nixon years than through Pete Townshend's "Won't Get Fooled Again?"[7]

At the same time, rock 'n roll fueled my interest in the technology for reproducing and performing music. Movies, television shows, and books transported me from a drab, homogeneous suburban New Jersey neighborhood to all parts of the globe, historical moments, diverse cultures, and futuristic and distant planets. Calculators and primitive computers were the most tantalizing toys. Creative arts and technology coexisted without conflict during my formative years. I enjoyed tinkering with technology and art, from building stereo amplifiers to making mix tapes, as much as I loved the music that blasted from my homemade stereo speakers and customized car stereo. Both music and technology shaped my values and interests.

As a graduate student, my frustration with the exorbitant cost of IBM's Personal Computer led me to the economics of network technologies and intellectual property and antitrust law. I came to see that expansive copyright protection for computer software could undermine both rapid innovation and network externalities.[8] These experiences led me, more than two decades ago, to lay the groundwork for a research, teaching, and public policy center focused on law and technology at the University of California at Berkeley. We envisioned the Berkeley Center for Law & Technology (BCLT) as a place to support both technological innovation and expressive creativity.[9]

Shortly after BCLT's formation, students approached me about expanding the curriculum to include entertainment law. BCLT had recently hosted one of the first conferences on "Digital Content" and it was increasingly clear that the future of the Internet would be as much about the content that flowed through this extraordinary network as the network itself. Although my intellectual property research up until that time had focused on software protection, I embraced the students'

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7 "Won't Get Fooled Again" appeared as the final track on The Who's 1971 album *Who's Next*. It captured the frustration, hypocrisy, and cynicism of the power structures defining our era — "We were liberated from the fall that's all, But the world looks just the same"; "meet the new boss, same as the old boss" — punctuated by the greatest scream in rock 'n roll history (in my humble opinion).

8 *See* Peter S. Menell, *Tailoring Legal Protection for Computer Software*, 39 STAN. L. REV. 1329 (1987).

9 BCLT's mission statement has been "to foster the beneficial and ethical understanding of intellectual property (IP) law and related fields as they affect public policy, business, science and technology." *About Berkeley Center for Law & Technology*, BERKELEY CENTER FOR LAW & TECHNOLOGY, http://www.law.berkeley.edu/5065.htm (last visited Nov. 4, 2013).

suggestion and began teaching a course exploring the role of intellectual property in the entertainment industries.

Things were chugging along well. The dot-com explosion enabled BCLT to build a strong foundation with connections to both Silicon Valley and Hollywood. Yet growing rancor over the Commerce Department's White Paper[10] and the WIPO Copyright Treaties[11] created controversy, although it was largely confined to industry experts and policy wonks. Even the passage of the Digital Millennium Copyright Act[12] did not register significantly in the public consciousness.

This calm would change suddenly mid-1999. The release of Napster's file-sharing software would bring the two pillars of my life into conflict. By the first session of my Introduction to Intellectual Property class in January 2000, nearly all of my students had been swept up by the Napster tsunami. When I posed the question of how this technology might affect the flow of creative works, my students were incapable of seeing past the euphoria of gaining access to nearly any sound recording at zero cost through Napster's charismatic technology.[13] And I would have to admit that sixteen-year-old me would have found this technology comparably irresistible.

Digital technology would bring about more than merely easy (and free) access to popular music, movies, and television shows. Digital advances enabled the population at large to easily and seamlessly remix or mash-up copyrighted works, appealing to a universal human desire to engage, connect to, and personalize creative works. Sixteen-year-old me would have adored these tools, just as the current version of me has embraced digital technology for teaching, entertainment, and self-expression.

This lecture shares my struggle to make sense of these apparently conflicting ideals — juxtaposing the importance of intellectual property protection for promoting creative arts with the inherent human desire to gain access to and engage creative works. It uses remix tools and

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[10] *See* BRUCE A. LEHMAN, U.S. PATENT AND TRADEMARK OFFICE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS (1995) [hereinafter IPNII White Paper], *available at* http:// www.uspto.gov/web/offices/com/doc/ipnii/ipnii.pdf.

[11] *See* WIPO Copyright Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17, 36 I.L.M. 65 (1997); WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17, 36 I.L.M. 76 (1997).

[12] Pub L. No. 105-304, 112 Stat. 2860.

[13] *See* Lior Jacob Strahilevitz, *Charismatic Code, Social Norms, and the Emergence of Cooperation on the File-Swapping Networks*, 89 VA. L. REV. 505 (2003).

transformative appropriation to illuminate the copyright system's difficult adaptation to the Internet Age.

Drawing on the format and the style of Ira Glass's "funny, dramatic, surprising, and true" This American Life radio broadcast,[14] I have fashioned "This American Copyright Life" into a three part story: Act I — How did we get here?; Act II — Why should society care about copyright's public approval rating?; and Act III — How do we improve copyright's public approval rating (and efficacy)?

ACT I: HOW DID WE GET HERE?

It is useful to ask why copyright's public approval rating has not, until the past decade and a half, attracted much attention. The answer lies largely in the evolution of technologies for distributing creative works. I offer a perspective which, judging from the age profile of the audience, might spark some nostalgia. Many of us first experienced the copyright system during an era in which the options for accessing copyrighted works were limited. Films were released to motion picture theaters and eventually broadcast on television. Television shows were available at designated times through television broadcasts. Recorded music was available at record stores or broadcast on radio. Books could be found in bookstores or libraries.

In that bygone era, consumers had relatively little awareness of, or interaction with, the copyright system. We did not think much about the copyright system because we largely lacked the technological capacity to do much with copyrighted works beyond experience them. We anxiously awaited new films, albums, novels, magazines, comic books, and television shows. To the extent that we considered the "copyright system" as such, our views largely paralleled our enjoyment of the works that content industries produced. If we liked the content, the system was working.

In my own case, the products of the content industries were deeply engaging and inspiring. I still vividly remember seeing my first episode of the original Star Trek series while at a sleepover with my much older (a few years) cousins. Gene Roddenberry's extraordinary voyages of the Starship Enterprise — "to boldly go where no man has gone before" — had a profound influence on my social values and interest in technology. Rebellious rock 'n roll music spoke to "My Generation"[15] — fueling our innate adolescent desire to question authority and think independently. I

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[14] *See* THIS AMERICAN LIFE, http://www.thisamericanlife.org (last visited Nov. 4, 2013).

[15] "My Generation" is the title of The Who's classic 1965 anthem. *See My Generation*, WIKIPEDIA, http://en.wikipedia.org/wiki/My_Generation (last visited Nov. 4, 2013). It was named the eleventh greatest song by Rolling Stone magazine. Although I was too young to have been in the original audience

don't know how I would have survived the anxieties, indulgences, and contradictions of "teenage wasteland" without Pete Townshend's rock ballads[16] or Bob Dylan's forthright poetry. If the copyright system promoted this art, then I was a fan. But frankly, I had little reason to think much about the connection between copyright and the inspiring music, film, literature, and art that captivated and shaped me.

This is not to say that I did not seek to use technology as a means to gain greater access to and enjoyment of copyrighted works. Popular music and Hollywood's visions of a just technological/digital future fueled my precocious techie tendencies. I sought out the latest in recording technology, experimented with primitive computers, and repaired and reconstructed bicycles (and later a very used, abused, and largely rusted out Fiat). Along with a friend, I built stereo amplifiers and high fidelity speakers and designed and installed home and car stereo systems. I subscribed to Stereo Review and many a record club (only to quit as soon as I surpassed the minimum requirements needed to secure the heavily discounted albums). I spent a lot of time in record, stereo, hardware, and electronics shops with my close friend and partner in mischief Chris Kendrick. We experimented with the primitive recording technologies of the time, producing quite a few mix tapes.

It was not entirely surprising, therefore, when Robby Beyers, a high school classmate who was an avid photographer, approached me about "mixing" the soundtrack for a multi-screen slide show that he was planning for our high school graduation. Copyright infringement never crossed my mind as Chris and I spliced together popular, copyright-protected musical compositions and sound recordings. We recorded this early "mash-up" — featuring a clip from the soundtrack of the then-popular television series Mash — on one track. Robby used a primitive computer to place dissolve commands for the six carousel projectors on the other track. The resulting show was a great success, bringing tears to the eyes of parents, graduating seniors, and teachers alike. I don't recall anyone suggesting that we had violated copyright law — and in any case, the statute

for this song, it became a favorite as my appreciation for The Who's music grew.

16 "Teenage wasteland" is the most resonant refrain from The Who's classic "Baba O'Riley." *See Baba O'Riley*, WIKIPEDIA, http://en.wikipedia.org/wiki/Baba_O%27Riley (last visited Nov. 5, 2013). It was released on The Who's *Who's Next*, one of the two most memorable albums of my youth.

The Who's rock opera *Quadrophenia*, released in 1973, offered a deeper, more personal, sociological, and psychological perspective for my generation. The use of the "quadrophonic" metaphor and story-telling device (four distinct and contradictory voices) resonated with confused teens struggling to find their identity in a world defined by conventional molds.

of limitations has long since passed.[17] The overwhelming sentiments were admiration for youthful ingenuity and the wonders of "modern" technology — a "computerized" slide show. And perhaps that extraordinary show — owing principally to Robby's vision and talent — helped some of our classmates better appreciate those of us who avoided the high school spotlight.[18]

Thus, if one were to have gauged my opinion as well as public opinion of "My Generation" regarding the copyright system at that time, it would no doubt have been neutral to overwhelmingly positive, as depicted in Figure 1. "My Generation" did not see copyright as an oppressive regime. We thrived in ignorant bliss well below copyright's enforcement radar and were inspired by content industry products.

The situation could not be more different for adolescents, teenagers, college students, and netizens today. Many perceive copyright to be an overbearing constraint on creativity, freedom, and access to creative works.[19] Although they might recognize copyright's role in producing works that they enjoy, they consider copyright laws to be punitive, chilling, backward, and poorly attuned to the needs of their generation. I don't, at this juncture of the lecture, want to evaluate their perceptions and emotions but rather to examine the reasons for this shift in perceptions. As the foregoing personal history suggests, I relate to my students and my teenage/twenty something sons in their passion for copyrighted works and their desire to use technology to enhance their enjoyment of creativity and to express themselves. I am moved by some of Hollywood's releases, anx-

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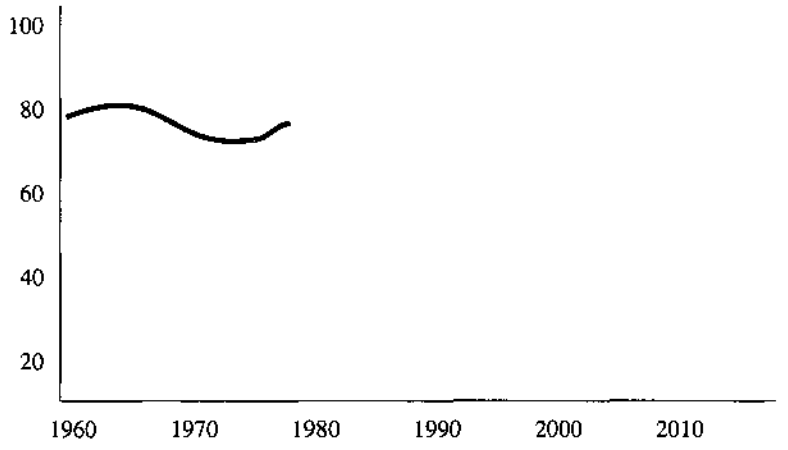
17 *See* 17 U.S.C. § 507 (2012).

18 Robby would go on to earn his B.S. in Chemical Engineering and M.S. and Ph.D. in Materials Science at Stanford, where he became the photographer for Stanford's irreverent marching band. We would reconnect for two years while I pursued a Ph.D. in economics at Stanford. Robby subsequently authored more than forty technical papers, including invited review articles for *Solid State Physics* and the *Annual Review of Materials Science* and led a group at IBM's Almaden Research Center, becoming a co-inventor on several patents, including the basic patent on single-wall carbon nanotubes. Although I had him pegged for a Nobel Prize, his career took a surprising turn in the mid-1990s when he enrolled at Santa Clara University's night law school. Robby completed his J.D. in 2000 and M.B.A. in 2001. He is now a partner in a leading Silicon Valley IP law practice, where he develops patent portfolios for a number of computing and Internet-related companies.

19 *See* JAMES BOYLE, THE PUBLIC DOMAIN: ENCLOSING THE COMMONS OF THE MIND (2008); LAWRENCE LESSIG, FREE CULTURE: HOW BIG MEDIA USES TECHNOLOGY AND THE LAW TO LOCK DOWN CULTURE AND CONTROL CREATIVITY (2004); SIVA VAIDHYANATHAN, COPYRIGHTS AND COPYWRONGS, THE RISE OF INTELLECTUAL PROPERTY AND HOW IT THREATENS CREATIVITY (2001); LAWRENCE LESSIG, CODE AND OTHER LAWS OF CYBERSPACE (2000).

Figure 1
Copyright Public Approval Rating



Source: completely made up; but possibly accurate

iously await broadcasts of The Big Bang Theory and Modern Family, cherish great novels, and hope for new Foo Fighters releases.

This Act sets the stage for understanding why the post-Napster generation's perceptions of the copyright system are far more important to the functioning of the copyright system than were the perceptions of "My Generation." The story begins with the development of the copyright enforcement regime during the Analog Age — a period in which copyright enforcement played a relatively modest role in the overall functioning of the copyright system. We will then trace how the rules and institutions that developed in the Analog Age backfired in the Internet Age.

A. Copyright Enforcement in the Analog Age

For much of the last century, the technology of reproducing works of authorship as well as business practices made enforcement manageable. It was costly to reproduce books and relatively easy to detect large-scale piracy. Booksellers had ongoing relationships with publishers. Hence they would have a lot of explaining to do if their competitors were selling large amounts of best sellers and they had no sales. Purchasing supplies from unauthorized sources exposed the renegade bookseller, thereby jeopardizing their critical business relationships. Without the ability to hit substantial volume, book piracy was a marginal business at best in developed economies with copyright laws.

Motion picture studios had an even tighter grip over their distribution chain. They did not sell their product. Rather they leased film reels to theaters and were paid based on box office revenues. The major problem

that the industry experienced was "bicycling"[20] — unscrupulous theater owners who would "bicycle" films around the corner to another venue and sneak in some off-the-books shows. The film industry hired investigators to look for advertisements of such showings. The impact on the industry was modest.

The music industry faced two substantial enforcement issues — compliance with the public performance right and, much later, record piracy. Music composers and publishers formed the American Society of Composers, Authors and Publishers (ASCAP) in 1914 to protect public performance rights. Through a series of test cases, ASCAP established broad protection for musical compositions.[21] It was able to attract many of the leading composers and music publishers of the day, enabling them to offer a "blanket" license scaled to the business and institutions publicly performing ASCAP compositions.[22] The idea was to charge a relatively modest percentage fee across a large base of entities performing copyrighted musical compositions in ASCAP's growing inventory and use sampling methods to divvy up the pool. The blanket system greatly economized on enforcement costs, but entailed a large education and enforcement campaign. The model began to generate substantial net revenue for distribution as the radio industry took off in the 1930s.[23]

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[20] *See* KERRY SEGRAVE, PIRACY IN THE MOTION PICTURE INDUSTRY (2003); *see* Bernard R. Sorkin, *A Geriatric View of Motion Picture Piracy*, 51 J. COPYRIGHT SOC'Y 237, 237 (2003).

[21] *See, e.g.*, Herbert v. Shanley, 242 U.S. 591 (1917) (holding that hotels and restaurants which performed music must compensate composers even if patrons are not charged separately for the musical entertainment); Jerome H. Remick & Co. v. General Electric Co., 16 F.2d 829 (S.D.N.Y. 1926) (radio broadcasts); Buck v. Lester, 24 F.2d 877 (E.D.S.C. 1928) (motion picture theaters); Buck v. Milam, 32 F.2d 622 (D. Idaho 1929) (dance hall); Buck v. Jewell-La Salle Realty Co., 283 U. S. 191 (1931) (hotels).

[22] *See* Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293, 1328-40 (1996).

[23] After initially offering the nascent industry low rates, ASCAP ramped up its rates over 400% between 1931 and 1939. *See American Society of Composers, Authors and Publishers*, WIKIPEDIA, http://en.wikipedia.org/wiki/American_Society_of_Composers,_Authors_and_Publishers (last visited Nov. 4, 2013). When ASCAP sought to double its rates again in 1940, radio broadcasters formed a boycott of ASCAP music and formed the rival performance rights organization, Broadcast Music Inc. (BMI), to compete with ASCAP. *See* RUSSELL SANJEK, PENNIES FROM HEAVEN: THE AMERICAN POPULAR MUSIC BUSINESS IN THE TWENTIETH CENTURY (1996). By that year, the broadcasting industry was bringing in over $200 million in gross revenues, of which $4 million or about 2% was being paid out to ASCAP. *See* Marcus Cohn, *Music, Radio Broadcasters and the Sherman Act*, 29 GEO.

Like bookstores, record stores were disinclined to vend unauthorized pirated goods. The record labels had long-term relationships with distribution channels and could detect substantial variations in sales.

It was against this backdrop that Congress set out to draft comprehensive copyright reform — what would eventually become the Copyright Act of 1976 — in the mid 1950s. In 1955, Congress authorized appropriations over the next three years for comprehensive research and preparation of studies by the Copyright Office as the groundwork for general revision. It was expected that this reform would be completed by the early to mid-1960s. The bulk of the reform was completed by 1965, but controversy over the treatment of the nascent cable television industry delayed passage. The end of the story is well known — the long and complex Copyright Act of 1976.

A significant part of the copyright system's pathology relates to the statutory damages regime, so it will be worthwhile tracing the development of those provisions. From the nation's founding, Congress has provided for the award of statutory damages for copyright infringements.[24] As Congress would explain in the lead-up to the 1976 Copyright Act, the "need for this special remedy arises from the acknowledged inadequacy of actual damages and profits in many cases" due to the inherent difficulties of detecting and proving copyright damages.[25] What Congress had in mind was the public performance of music. The Register of Copyright's 1961 Report noted that

> [i]n many cases, especially those involving public performances, the only direct loss that could be proven is the amount of a license fee. An award of such an amount would be an invitation to infringe with no risk to the infringer.[26]

Based on these considerations, the Register concluded that the principle of statutory damages appropriately serves to assure adequate compen-

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L.J. 407, 412-13 (1941). Radio royalties comprised about two-thirds of ASCAP revenues at that time.

[24] *See* WILLIAM S. STRAUSS, STUDY NO. 22, THE DAMAGE PROVISIONS OF THE COPYRIGHT LAW, (1956), *reprinted in* 1 OMNIBUS COPYRIGHT REVISION LEGISLATIVE HISTORY, at ix-32 (George S. Grossman ed., 2001) (summarizing the development of copyright damages law through the 1909 Act); *see also* Stephanie Berg, *Remedying the Statutory Damages Remedy for Secondary Copyright Infringement Liability: Balancing Copyright and Innovation in the Digital Age*, 56 J. COPYRIGHT SOC'Y 265 (2009).

[25] *See* U.S. COPYRIGHT OFFICE, REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 102 (July 1961) [hereinafter cited as "Register's 1961 Report"].

[26] *See id.*

sation for harm and "to deter infringement."[27] The Register further explained that:

> the courts should, as they do now, have discretion to assess statutory damages in any sum within the minimum and maximum [ranges]. In exercising this discretion the courts may take into account the number of works infringed, the number of infringing acts, the size of the audience reached by the infringements, etc. But in no case should the courts be compelled, because multiple infringements are involved, to award more than they consider reasonable.[28]

Accordingly, Congress ultimately retained, with some updating and revision, statutory damages for copyright infringement.[29]

This deterrent regime worked relatively well throughout copyright law's long history. The risk of incurring large fines channeled restaurants,

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[27] *See id.* at 103.

[28] *See id.* at 105.

[29] *See* Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (codified at 17 U.S.C. § 504). The 1976 Act provided that:

> (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, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $250 or more than $10,000 as the court considers just. For the purposes of this subjection, all the parts of a compilation or derivative work constitute one work.
>
> (2) In 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 $50,000. 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 it its discretion may reduce the award of statutory damages to a sum of not less than $100. 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 or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in subsection (g) of section 118) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work.
>
> 17 U.S.C. § 504 (1976).

bars, dance halls and other establishments publicly performing copyrighted works into licensing arrangements with the collecting societies. It also discouraged commercial infringement enterprises. The problem of non-commercial infringement rarely arose because of the inherent difficulties of reproducing high quality copies of records, books, and films and finding scalable commercial outlets for counterfeit goods in the analog age. Copyright industries rarely if ever needed to pursue consumers for copyright infringement. For these reasons, the deterrent damages regime tempered by judicial discretion garnered broad support in the deliberations over the 1976 Act and did not galvanize significant public opposition before the Internet Age.

Serious concerns about record piracy would not emerge until the advent of home taping equipment in the 1970s.[30] As "My Generation" learned, vinyl was a successful technological protection measure.[31] Reel to reel decks were cumbersome and even a high quality Teac™ cassette deck introduced substantial distortion. And copies of copies were awful. Tape piracy simply did not scale. The main usage of home taping was for music portability — car stereos and the Sony Walkman, which did not reach the market until 1980.

B. The Gathering Digital Copyright Storm

Copyright enforcement would become a more salient issue shortly after I graduated from high school as a result of a startling new consumer technology: the video cassette recorder (VCR).[32] The Sony Betamax would for the first time allow consumers to record a show on one channel while they watched a show on another. Instead of embracing the VCR,

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[30] The British Phonographic Industry launched an anti-infringement campaign in the 1980s with the slogan "Home Taping Is Killing Music." *See Home Taping Is Killing Music*, WIKIPEDIA, http://en.wikipedia.org/wiki/Home_Taping_Is_Killing_Music (last visited Nov. 4, 2013). The logo portrayed a cassette-shaped skull and cross bones with the words "And It's Illegal." It is unclear whether the campaign discouraged home taping, but it did generate some amusing ridicule. The Dead Kennedys left the back side of their "In God We Trust Inc." cassette blank. The caption read: "Home taping is killing record industry profits! We left this side blank so you can help." Other parodies included: "Home Sewing Is Killing Fashion" and "Home Taping Is Killing the Music Industry, and It's Fun."

[31] *See* Peter S. Menell, *Envisioning Copyright Law's Digital Future*, 46 N.Y.L. SCH. L. REV. 63, 103-06 (2002).

[32] *See generally* Peter S. Menell & David Nimmer, *Unwinding Sony*, 95 CAL. L. REV. 941 (2007) (chronicling the litigation over the VCR). Tensions between the technology and content were playing out within Washington circles, see, e.g., NAT'L COMM'N ON NEW TECHNOLOGICAL USES OF COPYRIGHTED WORKS, FINAL REPORT (1978) (photocopying and computers), but those debates were far removed from average consumers.

Universal Studios became concerned about how this new consumer technology might affect one of its technology business ventures — a multimillion dollar, but still nascent, investment in videodisc technology. Videodisc promised to create a market for pre-recorded video content, much like phonorecords. As conceived at the time, however, videodisc technology would not have recording capability.

As a result, Universal sought to persuade Sony, with whom it had other business dealings, to drop its VCR business plans. When Sony declined, Universal sued for copyright infringement with the support of much of Hollywood. The litigation, which would drag on for eight years and two arguments to the Supreme Court, raised serious questions for the public over Hollywood's exertion of power over consumer electronics innovators and the consuming public. The ultimate resolution — rejecting Universal's lawsuit — quelled public concerns and the copyright system once again faded from public consciousness.

Such concerns would surface again surrounding the introduction of Digital Audio Tape (DAT) technology into the United States in the late 1980s. I had just finished my clerkship with Judge Newman and was embarking on an academic career when the Office of Technology Assessment (OTA), a research arm of the U.S. Congress, invited me to serve on the Copyright and Home Copying Advisory Panel.[33] Our charge was to study the prevalence of home copying of copyrighted works and to assess policy options. A consumer survey conducted for our panel in 1988 determined that approximately 40% of Americans over the age of 10 had taped recorded music in the past year — principally for the purpose of "space shifting" (listening to compact discs on car cassette players). Most of those surveyed considered this to be an acceptable behavior. Although music copyright owners expressed concern about the prevalence of home taping and that the introduction of DAT technology into the United States would result in rampant piracy, concerns subsided with the passage of the Audio Home Recording Act (AHRA)[34] a short time later. This legislation largely insulated consumers from liability while requiring modest technological restrictions on devices and providing for new revenue streams for copyright owners (levies on media and devices). When the DAT format failed to gain favor in the commercial marketplace, the relatively low level public expressions of concern subsided.

Ongoing advances in computer technology combined with the rollout of the Internet in the early to mid 1990s gradually raised tensions over copyright policy. Much of the debate, however, took place in international

[33] U.S. CONGRESS, OFFICE OF TECH. ASSESSMENT, COPYRIGHT AND HOME COPYING: TECHNOLOGY CHALLENGES THE LAW, OTA-CIT-422 (1989)

[34] *See* Pub. L. No. 102-563, 106 Stat. 4237 (1992) (codified at 17 U.S.C. §§ 1001–10).

fora and among the cognoscenti — content industry organizations, consumer electronics manufacturers, and a nascent group of digital media and Internet companies and coalitions.

After the unsuccessful 1994 criminal prosecution of David LaMacchia, an MIT student who had allegedly facilitated massive piracy by operating a free online bulletin board service widely used for sharing copyrighted computer software and videogames, Congress enacted the No Electronic Theft (NET) Act in 1997.[35] The NET Act expanded criminal copyright infringement to encompass receipt (or expectation of receipt) of anything of value, including other copyrighted works, and reproduction or distribution in any 180-day period of copyrighted works with a total retail value of more than $1,000. In addition, the NET Act ramped up penalties. The House Report highlighted the economic and employment costs of software piracy to the software industry and the expanded piracy threats posed by the Internet.[36] Congressional hearings emphasized the need to confront the non-economic motivations of self-aggrandizing "Robin Hood"-like computer hackers.[37] The NET Act passed without attracting much public attention outside of a relatively small circle of computer scientists.

C. The Perfect Copyright Storm

The legislative sentiments expressed during the NET Act deliberations in combination with new copyright legislation and a surprising Supreme Court decision would soon create conditions for the "Perfect (Copyright) Storm."[38]

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[35] No Electronic Theft (NET) Act, Pub. L. No. 105-147, 111 Stat. 2678 (1997); *see* Eric Goldman, *A Road to No Warez: The No Electronic Theft Act and Criminal Copyright Infringement*, 82 OR. L. REV. 369, 373-77 (2003).

[36] *See* H.R. REP. No. 105-339, at 4 (1997); *see also* Rep. Howard Coble, The Spring 1998 Horace S. Manges Lecture – *The 105th Congress: Recent Developments in Intellectual Property Law*, 22 COLUM.-VLA J.L. & ARTS 269 (1998) (reprinting the House Report with some additional commentary by Rep. Coble).

[37] *See* 143 Cong. Rec. S12,689, S12,691 (daily ed. Nov. 13, 1997) (statement of Sen. Kyl) (targeting software pirates who seek notoriety instead of money); 143 Cong. Rec. H9883, H9886 (daily ed. Nov. 4, 1997) (statement of Rep. Cannon) (targeting "Robin Hood" types); 143 Cong. Rec. H9883, H9885 (daily ed. Nov. 4, 1997) (statement of Rep. Frank) (the Act aims at "seriously maladjusted" individuals who infringe not for profit but to show their smarts and get attention).

[38] I borrowed the title from the infamous Halloween Nor'easter of 1991 — the confluence of a seasonal North Atlantic storm system that combined with Hurricane Grace to bring about a devastating storm off the New England coast. Sebastian Junger's best-selling novel, *The Perfect Storm* (1997), chronicled the destruction of the *Andrea Gail* and loss of its fishing crew.

Copyright lobbyists were hard at work in the early to mid-1990s laying the groundwork for a new copyright regime for the digital age. President Clinton established the Information Infrastructure Task Force ("IITF") in 1993 to develop a comprehensive framework. The IITF produced a "white paper" calling for strengthening copyright protections and prohibiting circumvention of technological protection measures put in place by copyright owners.[39] The nascent ISP industry organized opposition to the draft 1995 legislation, resulting in the bills stalling in committee. The Clinton Administration took its proposals to the World Intellectual Property Organization's (WIPO) diplomatic conference the following year. A compromise was achieved with negotiators agreeing to the anti-circumvention provision in conjunction with safe harbors for Internet service providers (ISPs).[40] Congress would implement the WIPO copyright treaties in the Digital Millennium Copyright Act of 1998 (DMCA).[41]

Meanwhile, in a decision driven by forces unrelated to the digital age that would significantly affect digital copyright enforcement, the Supreme Court ruled in Feltner v. Columbia Pictures Television, Inc.[42] that the Seventh Amendment required that the determination of statutory damages fall within the province of the jury in copyright cases in which a party had requested a jury trial. This had the practical effect of thwarting Congress's intent to have experienced jurists exercise discretion in awarding statutory damages[43] and increasing the uncertainty surrounding statutory damage awards. Congress would compound this effect by enacting the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999,[44] ramping up the statutory damage range to $30,000 per infringed work and up to $150,000 per infringed work for willful infringement.

These developments set the stage for the "Perfect Copyright Storm" — a strong deterrent copyright regime with potentially massive civil penalties administered by lay jurists, expanded criminal liability, and new and untested safe harbors. The storm's catalyst came from rapid advances in digital and Internet technology and broadband rollout.

George Clooney and Mark Wahlberg would star in Warner Bros.'s 2000 dramatization of the story. The film's release coincided with copyright law's perfect storm.

39 *See* IPNII White Paper, *supra* note 10; *cf.* Pamela Samuelson, *The Copyright Grab*, WIRED (Jan. 1996), http://www.wired.com/wired/archive/4.01/white.paper_pr.html.

40 *See* WIPO Copyright Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17, 36 I.L.M. 65 (1997); WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17, 36 I.L.M. 76 (1997).

41 Pub. L. No. 105-304, 112 Stat. 2860.

42 523 U.S. 340 (1998).

43 *See* Register's 1961 Report, *supra* note 25, at 105.

44 Pub. L. No. 106-160, 113 Stat. 1774.

The Internet storm struck with unprecedented ferocity in mid 1999.[45] Napster's peer-to-peer file sharing service captivated America's youth, providing nearly instantaneous, convenient, and free access to an unprecedented collective archive. Anyone with a computer and access to the Internet could share and access just about any sound recording. Prior to Napster, the Internet was a useful curiosity. After Napster, the Internet was exciting. For that reason, I view Napster's arrival as the birth of the digital copyright. Peer-to-peer technology would quickly encompass all manner of works of authorship.

The perfect copyright storm would unfold over more than a decade as copyright owners sought to protect their works amidst the battering waves of a dynamic of promiscuous distribution platforms unlike anything seen before or anticipated. As bandwidth, storage capacity, and computer speed continued to improve, the challenges of enforcing copyright law continued to grow.[46] All of the storm planning that went into the WIPO Copyright Treaties, the DMCA, and ramping up of statutory damages did little to prepare netizens, online service providers, and copyright owners for the onslaught. The storm surge knocked out much of the music copyright system in one fell swoop. The next decade would reveal many insights about the interplay of copyright enforcement and public perceptions of the copyright system.

D. The Digital Copyright Enforcement Saga

Most of my students found file-sharing both irresistible and wonderful. Professor Lawrence Lessig warned of content owners locking down the Internet and freedom of expression.[47] Several other scholars called upon Congress to establish compulsory licenses for file-sharing.[48] Hollywood looked to invoke copyright law's deterrence regime and to cash in on its investments in stronger remedies. Napster sought to test the DMCA's online service provider safe harbor and Sony's staple article of commerce doctrine.

The Recording Industry Association of America (RIAA) won the initial battle, resulting in Napster's demise by July 2001. But the war was

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[45] *See Napster*, WIKIPEDIA, http://en.wikipedia.org/wiki/Napster (last visited Nov. 4, 2013).

[46] *See* Menell, *supra* note 31.

[47] *See* LAWRENCE LESSIG, THE FUTURE OF IDEAS: THE FATE OF THE COMMONS IN A CONNECTED WORLD 200 (2001).

[48] *See* WILLIAM W. FISHER III, PROMISES TO KEEP: TECHNOLOGY, LAW, AND THE FUTURE OF ENTERTAINMENT (2004); Neil Weinstock Netanel, *Impose a Noncommercial Use Levy to Allow Free Peer-to-Peer File Sharing*, 17 HARV. J.L. & TECH. 1 (2003).

only just beginning as more versatile file-sharing networks had emerged.[49] Of perhaps greater import, the RIAA was suffering heavy casualties in the court of public opinion. Their most effective spokespersons — recording artists — were divided[50] and angered by record labels' latest machinations to undermine their interests.[51] The litigation between the RIAA and Napster produced a steady flow of news reports fanning the flames of discontent over the recording industry's enforcement efforts.[52]

Most file-sharers did not perceive their actions to be immoral.[53] Even those netizens who recognized that file-sharing treated artists unfairly

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[49] *See* Brad King, *While Napster Was Sleeping*, WIRED (Jul. 24, 2001), http://www.wired.com/news/mp3/1,1285,45480,00.html (noting that "Napster's chief rivals — Kazaa, Bearshare, Audiogalaxy and iMesh — have seen significant upswings in their traffic").

[50] *See* Courtney Love, *Courtney Love Does the Math: The Controversial Singer Takes on Record Label Profits, Napster and "Sucka VCs"*, SALON (Jun. 14, 2000), http://www.salon.com/2000/06/14/love_7; Janis Ian, *The Internet Debacle – An Alternative View*, PERFORMING SONGWRITER MAGAZINE (May 2002), http://www.janisian.com/reading/internet.php; John Borland, *Rapper Chuck D Throws Weight Behind Napster*, C—NET (May 1, 2000) (seeing Napster as a unique promotional tool for lesser known artists), http://news.com/2100-1023-239917.html.

[51] *See* David Nimmer & Peter S. Menell, *Sound Recordings, Works For Hire, and the Termination-of-Transfers Time Bomb*, 49 J. COPYRIGHT SOC'Y 387, 388-93 (2001) (chronicling the RIAA's backroom deal-making that resulted in a "technical amendment" to the Copyright Act cutting off recording artists' right to terminate transfers of copyrights; and the decision to rescind the amendment when it came to light just as Napster emerged and labels needed artists' support); Lital Helman, *When Your Recording Agency Turns into an Agency Problem: The True Nature of the Peer-to-Peer Debate*, 50 IDEA 49, 51 (2009) (observing that "the anti-file-sharing course adopted by the music industry is best understood as an agent-principal problem. It is aimed at strengthening the control for the agents, namely the record companies' control over the market, to the detriment of the principals, namely the artists."); Note, *Exploitative Publishers, Untrustworthy Systems, and the Dream of a Digital Revolution for Artists*, 114 HARV. L. REV. 2438 (2001) (highlighting the historic subjugation of creators by publishers and record labels).

[52] *See* Declan McCullagh, *Napster's Million Download March*, WIRED NEWS (Mar. 28, 2001); http:// www.wired.com/news/politics/0,1283,42676,00.html Amy Harmon, *Napster Users Mourn End of Free Music*, N.Y. TIMES, Nov. 1, 2000, at C1; Amy Harmon, *The Napster Decision: The Reaction; Napster Users Make Plans for the Day the Free Music Dies*, N.Y. TIMES, Feb. 12, 2001, at C1; *Amy Harmon, Online Davids vs. Corporate Goliaths*, N.Y. TIMES (Aug. 6, 2000), http://www.nytimes.com/library/review/080600napster-review.html; Declan McCullagh, *Digital Copyright Law on Trial*, WIRED NEWS (Jan. 18, 2000), at http://www.wired.com/news/politics/o,1283,33716,00.html.

[53] *See* Ram D. Gopal, & G. Lawrence Sanders, *Digital Music and Online Sharing: Software Piracy 2.0?*, 46 COMM. OF THE ACM 107, 116 (2003) (finding "no

wondered why the recording industry was unable to roll-out user-friendly authorized music websites. Although the major record labels had been planning their own online music stores before Napster's emergence,[54] their efforts lacked the variety, functionality, and flexibility of peer-to-peer networks.[55] By the time that the major labels opened their catalogs up to Apple's iTunes Music Store in April 2003,[56] many music fans had become accustomed to file-sharing.

Soon after Napster's demise, the RIAA targeted the next wave of file-sharing services — Grokster, Morpheus, and KaZaA — filing suit in the Central District of California in October 2001. In April 2003, Judge Stephen Wilson held that even though these defendants "may have intentionally structured their business to avoid secondary liability for copyright infringement, while benefitting from the illicit draw of their wares," they nonetheless fell within the Sony staple of commerce safe harbor because their file-sharing services were capable of substantial non-infringing use.[57] The RIAA vowed to appeal Judge Wilson's decision, but an appeal could take years and might well result in the judgment being affirmed. Thus, the RIAA faced a difficult decision — whether to sue file-sharers.[58]

Like many intellectual property scholars, I was thrust into public debate over these difficult issues. I had been invited to prepare a paper on the question "Can Our Current Conception of Copyright Law Survive the Internet Age?" in honor of the Honorable Jon O. Newman, the judge for whom I had clerked, at the celebration of his thirty years on the Federal bench.[59] I was invited to moderate a panel at the April 2002 Computers, Freedom & Privacy (CFP) Conference on "Copyright and Innovation: The

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significant deterrent effect on music piracy through legal and education campaigns"); John Leland, *Praise God and Pass the Music Files*, N.Y. TIMES (Apr. 25, 2004), http://www.nytimes.com/2004/04/25/weekinreview/ideas-trends-praise-god-and-pass-the-music-files.html (quoting a Christian rock music downloader opining: "[i]f the money went into the artist's pocket, I'd have more of a dilemma. But the companies make enough money."); Geoffrey Neri, Note: *Sticky Fingers or Sticky Norms? Unauthorized Music Downloading and Unsettled Social Norms*, 93 GEO. L.J. 733, 742 (2005).

54 *See infra* text accompanying notes 161–63.

55 *See* Menell, *supra* note 31, at 172-73.

56 *See iTunes Store*, WIKIPEDIA, http://en.wikipedia.org/wiki/ITunes_Store.

57 *See* Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 259 F. Supp. 2d 1029, 1046 (C.D. Cal. 2003).

58 *See* Justin Hughes, *On the Logic of Suing One's Customers and the Dilemma of Infringement-Based Business Models*, 22 CARDOZO ARTS & ENT. L.J. 725 (2005).

59 *See* Symposium – *Judge Jon O. Newman: A Symposium Celebrating His Thirty Years on the Federal Bench and an Occasion to Reflect on the Future of Copyright, Federal Jurisdiction, and International Law Symposium*, 46 N.Y.L. SCH. L. REV. 1 (2002-2003).

P2P Experience."[60] And perhaps most challenging of all, my older son Dylan, who was nearing his twelfth birthday, couldn't understand why I was not as enthusiastic as he and his friends about file-sharing technology. Did I not support his love of technology and music? Of course I did, but I also worried about incentives for the next generations of creators — including him. Let's just say that this was not the response he was looking for.

Whereas many in the academy had quickly taken sides and formulated solutions, I was genuinely conflicted about the larger policy issues. The Internet was developing rapidly and I did not feel that we had enough information about the interplay of the Internet and creative ecosystems to make definitive judgments about the proper course. It would take some time to see how the online marketplace responded. My hope was that competition and technological advance would bring about a balanced solution, but it was clear that competing with free was complicating the task of start-ups, like emusic.com, to gain a foothold while pushing the major labels to explore licensing. I was teaching a course on intellectual property in the entertainment industries and was disheartened by the changes unfolding in the Bay Area music community. My colleagues working in the music field were moving to other pursuits as funding for "baby bands" dried up. I had started an annual conference on "Digital Music" at the Berkeley Center for Law & Technology and was dismayed by the deep and growing rifts between Silicon Valley and Hollywood, labels and artists, and law students and copyright law. I was passionately in the middle, perhaps the loneliest place of all.

This angst prompted me to explore the larger institutional forces shaping copyright law in my contribution to the symposium honoring Judge Newman. The resulting article[61] — then the longest of my career at 105 pages — avoided the simple answers and advocacy that many were offering. It systematically examined the technological changes, industry structures, legal environment, and evolving social and political landscape. Notwithstanding the dynamism of these forces, the article concluded that the digital revolution could be seen increasingly to shift resources and pressure for reform toward copyright enforcement, new business models and platforms, antitrust concerns, and a more general transformation of copyright law from a property rights system toward a regulatory regime. The best that I could foresee was an uncertain enforcement war of attrition in which technology, markets, politics, and social norms would determine the path forward.

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[60] *See* COMPUTERS, FREEDOM AND PIRACY 12TH CONFERENCE, PROGRAM (Friday, Apr. 19, 2002), http://www.cfp2002.org/program/friday.shtml.

[61] *See* Menell, *supra* note 31.

The CFP conference panel would delve directly into that abyss. The conference posed the following topics:

> The P2P lawsuits are piling up: Napster, Scour, Aimster, Morpheus. Although the rhetoric is about piracy, the litigation is about technology. In every P2P case to date, copyright owners have targeted the technologists, instead of the end-users doing the infringing. What does this mean for the peer-to-peer industry, and what lessons should be drawn by other technology innovators? Are we entering a world where technologists will be held liable for the activities of their end-users?

The panel comprised Fred von Lohmann from the Electronic Frontier Foundation, Sarah Deutsch from ISP Verizon, and Frank Hausmann from Centerspan, a company developing a walled (digital rights management), authorized, content distribution platform.[62] Fred began the discussion by noting that he was co-counsel on behalf of Morpheus in the large file-sharing litigation case unfolding in Los Angeles.[63] He then sketched the state of litigation involving peer-to-peer technology, summarizing the Napster, Scour, Grokster/Morpheus/KaZaA, ReplayTV, MP3Board.com, and ISP-related notice and take-down and repeat infringer termination litigation. He concluded with the following observation:

> Finally the last category, and strangely enough, the empty category is any lawsuits or legal action against end-users. We have not yet seen, at least I have not heard, any public, publicly disclosed lawsuits against actual peer-to-peer users, end-users of peer-to-peer software, even though everyone admits it's really they who are infringing copyright. Everyone else on this list that we see on this list, the most that you can say about them, is perhaps that they have some secondary or indirect liability because of their involvement. In none of the cases involved here, well with the exception of ReplayTV for some weird reasons that are not really that important, but all of these cases use copyright theories that involve so-called contributory or vicarious liability. In other words, you're going to be held responsible for what your end-users are up to. We have not seen any litigation yet against the actual end-users who are sharing "Blackhawk Down" or whatever it might be that is causing all this trouble.[64]

After Frank described Centerspan's technology and Sarah discussed service providers' perspectives regarding peer-to-peer issues, I probed

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[62] *See* Panel on Copyright and Innovation: the P2P Experience, Association for Computing Machinery (ACM), 12th Annual Computers, Freedom & Privacy Conference, San Francisco, California (Apr. 19, 2002), http://www.cfp2002.org/program. An audio recording of the panel is available on the ACM's Web site under the "Source Materials" tab: http://dl.acm.org/citation.cfm?id=543482.564564&coll=DL&dl=ACM&preflayout=tabs. [hereinafter "CFP 2002 Panel Recording"].

[63] That litigation would eventually result in the Supreme Court's decision in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005).

[64] *See* CFP 2002 Panel Recording, *supra* note 62, beginning at 17:22 (time signature).

Fred's comment about it being "strange" that content owners had not yet sued end-users over peer-to-peer activity. I began by noting the three words animating the conference: "computers, freedom, privacy." I then proceeded:

> I can interpret his presentation as, well, the problem is people [content owners] are aiming at the deeper pockets, the intermediaries, the creators or inventors/innovators, and perhaps they should direct their energy down to the bottom or the decentralized. But from a societal standpoint, I mean that is in some ways the greatest threat to privacy in that it would require discovery, it would require invading the household. And so it's not as if privacy problems could be solved. There's another side, perhaps a more cynical interpretation of your comment which is we dare them because we think that will shift the political balance and we'll be able to push some other objectives. But if I took your suggestion literally, it would be a disaster for personal privacy and could potentially, especially in this post-terrorism world, dramatically shift what we do consider our most sacred places. I don't feel so exposed with regards to our ISP, but I do feel very exposed with regards to my hard drive. And how do you resolve that?[65]

After acknowledging that this was a "fair point,"[66] Fred proceeded to explain that content owners "are hunting the wrong target and in the course of doing so are going to cause enormous collateral damage" by chilling technology innovators. He analogized suing peer-to-peer enterprises to holding Detroit automobile manufacturers "liable for every person that speeds in America because they sell cars capable of speeding." Fred then addressed what he termed the "harder question": whether content owners should "be going after end-users?"

> Well, you know frankly that is not in my mind such a radical statement — right, that's always been the rule in copyright. If there are pirates, you find and, you know, go after the pirates. And that's always been the rule and it's certainly been true to have someone singled out and sued, whether criminally or civilly, for copyright infringement is absolutely an enormous invasion in that person's life. However, it's an invasion that has always been contemplated under the law.[67]

I was surprised to see him go down this path. I shifted to another angle — what did the panel think about a system whereby enforcement focused on the "middle layers [of the content distribution ecosystem] so that we as individuals in our homes don't worry about the specter of government coming in and searching our files."[68] Frank jumped in to talk about the importance of educating children not to steal copyrighted content, while noting that "if you are a thief, [the government] can get an

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[65] *See id.* at 57:21.
[66] *See id.* at 58:54.
[67] *See id.* at 1:00:11.
[68] *See id.* at 1:02:00.

order and come and search your hard drive and prosecute you for that, as Fred was saying. I personally believe that the end-user should be prosecuted. I don't think that the service provider should be dragged into this . . . ."[69]

Fred then responded to my suggestion that suing end-users was a cynical strategy aimed at generating a political backlash at the cost of substantial invasion of privacy interests and disruption:

> And I'll say in response to Peter I do have what he refers to as the more cynical view. I'm sure that I actually think of it as the more democratic view, which is that, you know, the last surveys that I have seen suggested that there are upwards of 40 million Americans are using the various file-sharing, you know, software products that are available. And I first want to say let's not leap to the conclusion that they're all guilty of copyright infringement because I think that's unfair as well. There are perfectly legitimate uses for technologies like this. There are. Small publishers have reasons to want access to this kind of efficiency as much as big publishers do. So, yeah, sure, a large number of them are probably infringers. Now, if we actually lived in a world where content owners had to decide — do I sue 40 million Americans or do I come with some other solution that more adequately balances my business needs with, you know, the reality of technology, I am pretty confident that either they would go and innovate as they did when the VCR arrived and find a way to deliver content that is compelling to consumers, that drives the pirates essentially out of business, which they did effectively with the VCR. And frankly, I think that they are in the midst of doing that with the DVD right now. Warner Home Video has said they're going to sell all of their DVDs for less than $10 per title, at that moment I don't think there's going to be as much need to spend eight hours downloading a low quality film from a peer-to-peer file-sharing network. You know, there are ways to do this and I'm confident that if the choice was to sue 40 million Americans or go out there and do the work to come up with compelling product, they would find compelling products.[70]

Fred then noted that there are other solutions, such as compulsory licenses, to consider.[71] He then returned to the political catalyst theme: "I do think that the notion that 40 million Americans are nothing better than common thieves, you know, copyright law is a statute that is decided upon by a majority of our representatives in Congress. And, you know, it can be changed."[72] Sarah interjected that content owners "rarely ever sue the end-user. Even just a few targeted suits, not that I would like to see this, but I think that it would at least send the message across." I suggested that Fred might welcome suits against users to provoke a popular backlash against Internet copyright enforcement to 40 million people that it's ille-

[69] *See id.* at 1:04:09.
[70] *See id.* at 1:04:31.
[71] *See id.* at 1:06:28.
[72] *See id.* at 1:06:06.

gal."[73] Fred concurred that "a few targeted suits would certainly clarify the message."[74]

It was perhaps not that surprising that Sarah and Frank deflected attention from their clients and mentioned the possibility of suing end-users. But when EFF's senior copyright attorney publicly calls attention to the "strangely" "empty category" of lawsuits against end-users, comments that content owners "are hunting the wrong target," observes that suing end-users would not be "such a radical statement" in view of the fact going after the pirates has "always been the rule" in the copyright field, expresses that the privacy invasion of suing end-users is "an invasion that has always been contemplated under the law," acknowledges that a "large number [of 40 million American file-sharers] are probably infringers," and notes that "a few targeted suits would certainly clarify the message," the press takes notice.[75] As a copyright policy scholar, I was rather surprised by these statements. Just as I was not as quick as many of my academic colleagues to jump on the Napster bandwagon, I was deeply skeptical about the wisdom of suing end-users.

My third challenge — dealing with my older son's desire to use file-sharing technology to quench his thirst for music — proved the most fulfilling. Everyone in the family received iPods for Chanukah that year. We spent our vacation ripping our massive CD collection onto the family computer and filling in gaps in the catalog at record stores. And by the following spring, the iTunes Music Store opened. The kids got part of their allowance in iTunes. It turns out that an iPod and iTunes were even better than Grokster — at least to nine- and twelve-year-old kids. Crisis averted just in time.

By September 2003, four months after Judge Wilson's Grokster decision and the opening of the iTunes Music Store, the RIAA filed its first suit against end users of file-sharing technology. Although our family was spared, the RIAA targeted 261 file-sharers in its first action,[76] prompting the Electronic Frontier Foundation to initiate a new campaign: "RIAA v.

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[73] *See id.* at 1:07:33.

[74] *See id.* at 1:08:19.

[75] *See Copyright*, WASHINGTON INTERNET DAILY (Apr. 23, 2002) (quoting Fred's statement that search of alleged infringers' devices is "an invasion that's contemplated in the law . . . . A few targeted lawsuits would get the message across"); *see also* Brian Garrity, *Victory Eludes Legal Fight Over File Swapping The Music Industry May Win a Few Battles While Losing Multiple Logistical Wars*, BILLBOARD, Apr. 13, 2002, at 86 (quoting Fred von Lohmann stating: "[i]f this fight were really about stopping piracy, you would have expected some pirate to actually be sued.").

[76] *See* Amy Harmon, *The Price of Music: The Overview: 261 Lawsuits Filed on Music Sharing*, N.Y. TIMES, Sept. 9, 2003, at A1.

The People."[77] The record companies intended to test copyright law's deterrence theory, eventually suing 35,000 defendants.

The lawsuits managed to scare the bejesus out of the recipients, friends, and acquaintances of the many recipients. But it did not achieve compliance with copyright law. Figure 2 tracks per capita record sales in the United States from 1973 through 2008. The average number of albums purchased per person in the United States steadily rose — with some dips due to economic downturns and the disco era (good for dance clubs; bad for record sales) — from 1973 through 1999, doubling from just under three albums per year to nearly six albums per year. Over the ensuing decade, per capita sales would drop more than half to below 1973 levels. Although some economists contend that the precipitous decline in record sales following 1999 had nothing to do with file-sharing,[78] many empirical studies indicate otherwise.[79]

Furthermore, the litigation proved to be especially costly in term of legal fees, legal doctrine, and most importantly, public opinion. Although the overwhelming majority of defendants settled with payments of $3,000 to $5,000,[80] several defendants sought to defeat these lawsuits by arguing that it is not enough for the copyright owners to prove that a forensic investigator hired by the copyright owner had located one of its sound recordings in the defendant's share folder and downloaded the file. Rather, they maintained that the Copyright Act's distribution right cannot

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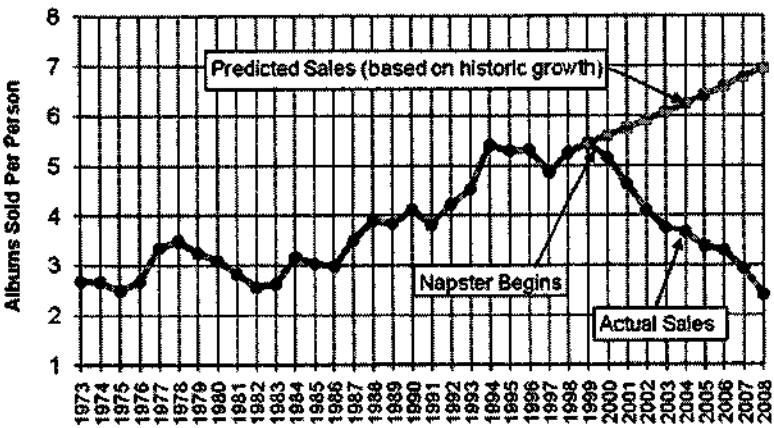
[77] *See RIAA v. The People: Five Years Later*, ELECTRONIC FRONTIER FOUNDATION (2008), https://www.eff.org/wp/riaa-v-people-five-years-later.

[78] *See* Felix Oberholzer-Gee & Koleman Strumpf, *The Effect of File Sharing on Record Sales: An Empirical Analysis*, 115 J. POL. ECON. 1 (2007).

[79] *See* Stan J. Liebowitz, The Metric is the Message: How Much of the Decline in Sound Recording Sales Is Due to File-Sharing? 9 (2011), *available at* http://jindal.utdallas.edu/files/filesharing-metrics-11-2.pdf (reviewing the major studies of file-sharing and concluding that more than half attribute all of the decline in record sales to file-sharing and that much of the remainder attribute half of the decline to file-sharing); Stan J. Liebowitz, *File Sharing: Creative Destruction or Just Plain Destruction?*, 49 J.L. & ECON. 1 (2006); *cf.* Peter DiCola, *Money from Music: Survey Evidence on Musicians' Revenue and Lessons for Copyright Incentives*, 55 ARIZ. L. REV. 301 (2013); Joel Waldfogel, *Copyright Protection, Technological Change, and the Quality of New Products: Evidence from Recorded Music Since Napster*, 55 J. L. & ECON. 715 (2012) (finding that although recording industry revenues and profitability declined precipitously following Napster's introduction, "there is no evidence that the quality of new recorded music has suffered from a withdrawal of creative effort"; although noting that other technological changes might spur even greater creative output and these effects might not carry over to other creative industries such as motion pictures).

[80] *See Copy-wrong! Unpacking the $1.92M Downloading Verdict*, WSJ BLOG (Jun. 27, 2009), http://blogs.wsj.com/law/2009/06/27/copy-wrong-unpacking-the-192m-downloading-verdict.

Figure 2
Albums Sales (per capita/annum)



be established without proof that a third party — i.e., someone other than an authorized forensic investigator — had actually downloaded the file from that defendant's share folder. Given the architecture of the Internet and privacy concerns, such proof would substantially raise the cost of pursuing enforcement against end users.

The first wave of cases to address this defense held that merely making copies of copyrighted works available without authorization violated the distribution right.[81] In 2008, the pendulum swung in the opposite direction. Atlantic Recording Corp. v. Brennan cast doubt on the "making available" theory, observing that "'without actual distribution of copies . . . there is no violation [of] the distribution right."[82] A little more than a month later, Judge Gertner issued a detailed analysis of the scope of the distribution right. London-Sire Records, Inc. v. Doe 1 inclined toward a requirement of actual distribution, observing that "[m]erely because the defendant has 'completed all the steps necessary for distribution' does not necessarily mean that a distribution has actually occurred."[83] Shortly after the London-Sire decision, Judge Wake squarely rejected the "making available" theory.[84]

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81 *See, e.g.*, Universal City Studios Prods., LLP v. Bigwood, 441 F. Supp. 2d 185 (D. Me. 2006); Warner Bros. Records, Inc. v. Payne, No. W-06-CA-051, 2006 WL 2844415 (W.D. Tex. Jul. 17, 2006); Motown Record Co., LP v. DePietro, No. 04-CV-2246, 2007 WL 576284 (E.D. Pa. Feb. 16, 2007).

82 534 F. Supp. 2d 278, 282 (D. Conn. 2008).

83 542 F. Supp. 2d 153 (D. Mass. 2008).

84 *See* Atlantic Recording Corp. v. Howell, 554 F. Supp. 2d 976 (D. Ariz. 2008).

More significantly, the record industry became a pariah among its prime consumer demographic in the most important court — the court of public opinion. Litigation against a high school cheerleader,[85] grandparents,[86] and many other sympathetic defendants[87] took a heavy toll on the recording industry's public approval.[88] Even after the record industry reversed course and halted new direct enforcement actions,[89] the hemorrhaging continued as the industry continued to pursue two cases already in the pipeline through trial.

Capitol Records accused Jammie Thomas of sharing more than 1,000 copyrighted songs through the KaZaA file-sharing network in 2005. Dickens foretold how the litigation would turn out.[90] After Ms. Thomas declined the RIAA's settlement offer, Capitol Records filed suit for willful violation of copyright law. The case pitted the RIAA seeking $150,000 for each of twenty-four copyrighted sound recordings against a defiant single mother of modest means represented by pro bono counsel. After the jury returned a verdict of $9,250 per work, totaling $222,000, Judge Davis or-

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85 *See* David Kravets, *Threat Level: RIAA Litigation – Former Teen Cheerleader Defies RIAA Over $7,400 File Sharing Tab*, WIRED (Oct. 20, 2008), http://www.wired.com/threatlevel/2008/10/riaa-seeks-7400.

86 *See The 14 Most Ridiculous Lawsuits Filed by the RIAA and the MPAA*, BRAINZ, http://brainz.org/14-most-ridiculous-lawsuits-filed-riaa-and-mpaa.

87 *See id.*

88 *See* Ben Depoorter, Alain Van Hiel, & Sven Vanneste, *Copyright Backlash*, 84 S. CAL. L. REV. 1251, 1283-89 (2011) (arguing that enforcement-based strategies seeking disproportionate sanctions are counterproductive for deterring file-sharing of copyrighted works); Måns Svensson & Stefan Larsson, Social Norms and Intellectual Property: Online Norms and the European Legal Development 59 (2009), *available at* http://lup.lub.lu.se/luur/download?func=downloadFile&recordOId=1510388&fileOId=1515776 (reporting social norms do not hinder illegal file sharing); Jason R. Ingram & Sameer Hinduja, *Neutralizing Music Piracy: An Empirical Examination*, 29 DEVIANT BEHAVIOR 344, 359 (2008) (finding that "almost 90 percent of sample respondents believed that downloading unauthorized music files was an appropriate behavior"); Yuval Feldman & Janice Nadler, *The Law and Norms of File Sharing*, 43 SAN DIEGO L. REV. 577 (2006); Ben Depoorter & Sven Vanneste, *Norms and Enforcement: The Case Against Copyright Litigation*, 84 OR. L. REV. 1127 (2005); Steven A. Hetcher, *The Music Industry's Failed Attempt to Influence File Sharing Norms*, 7 VAND. J. ENT. L. & PRAC. 10 (2004)

89 *See* Sarah McBride & Ethan Smith, *Music Industry to Abandon Mass Suits*, WALL ST. J. (Dec. 19, 2008), http://online.wsj.com/article/SB122966038836021137.html.

90 *See* CHARLES DICKENS, BLEAK HOUSE (1853) (telling a story of long-running litigation depleting a vast estate). Dickens' classic was modeled in part on his own frustrations seeking to enforce copyright protection on his earlier books. *See Bleak House*, WIKIPEDIA, http://en.wikipedia.org/wiki/Bleak_House (last visited Nov. 4, 2013).

dered a new trial on the ground that he misinstructed the jury as to the scope of the distribution right.[91] Following retrial, the jury found Ms. Thomas-Rasset[92] liable for willful copyright infringement of all twenty-four sound recordings at issue and awarded the plaintiffs statutory damages of $80,000 per song, resulting in a total award of $1.92 million. On post-trial motions, Judge Davis determined that the damage award was "monstrous and shocking" and remitted the jury award to $54,000 (treble the minimum willful statutory damage level ($750 per work) times twenty-four works)).[93] The plaintiffs offered Ms. Thomas-Rasset the opportunity to settle the matter by donating $25,000 to a musician's charity of her choosing, which she declined.[94] The jury in the third trial awarded $1.5 million in statutory damages, which Judge Davis again reduced to $54,000 as the "maximum award consistent with due process."[95] The Eighth Circuit Court of Appeals reversed the District Court's reduction of the award and reinstated the award of $222,000, the amount awarded by the jury in the first trial.[96]

The second end-user file-sharing trial took place in Judge Gertner's courtroom in July 2009.[97] Like the Thomas case, this case attracted tremendous publicity as Joel Tenenbaum, a graduate student at Boston University, and his appointed counsel, Harvard Law School Professor Charles Nesson, sought to turn the trial into a referendum on copyright policy. I came to see this drama as Legally Blonde 3,[98] an even more farcical account of Harvard Law School than the Hollywood prequels.[99] During pretrial proceedings, Mr. Tenenbaum denied any wrongdoing and even

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91 *See* Capitol Records, Inc. v. Thomas, 579 F. Supp. 2d 1210, 1216-25 (D. Minn. 2008).

92 Ms. Thomas was married in the interim.

93 *See* Capitol Records, Inc. v. Thomas-Rasset, 680 F. Supp. 2d 1045, 1049 (D. Minn. 2010).

94 *See* Greg Sandoval, *Jammie Thomas Rejects RIAA's $25,000 Settlement Offer*, C—NET (Jan. 27, 2010), http://news.cnet.com/8301-31001_3-10442482-261.html.

95 *See* Capitol Records, Inc. v. Thomas-Rasset, 799 F. Supp. 2d 999 (D. Minn. 2011) (holding that an award above three times the statutory damages minimum of $750 per work violates the Due Process Clause of the U.S. Constitution).

96 *See* Capitol Records, Inc. v. Thomas-Rasset, 692 F.3d 899 (8th Cir. 2012).

97 *See* Greg Sanoval, *Joel Tenenbaum Follows in Jammie Thomas' Footsteps*, C—NET (Jul. 28, 2009), http://news.cnet.com/8301-1023_3-10298079-93.html.

98 *See Legally Blonde* (2001), IMDB, http://www.imdb.com/title/tt0250494; *Legally Blonde 2: Red, White & Blonde* (2003), IMDB, http://www.imdb.com/title/tt0333780.

99 *See* Peter S. Menell, *File-Sharing Copyrighted Works Without Authorization: A Misguided Social Movement*, MEDIA INSTITUTE (Feb. 17, 2010), http://www.mediainstitute.org/new_site/IPI/021710_FileSharingCopyrighted.php.

suggested that the files in question might have been shared by others, including a visitor to the family home, family friend (possibly a visitor from Burkina Faso), foster son, or burglar.[100] After much jockeying over the scope of the distribution right, the fair use defense, and a slew of other issues, Mr. Tenenbaum ultimately confessed to uploading and downloading copyrighted sound recordings on various peer-to-peer networks.[101] As a result, Judge Gertner directed a verdict on liability, leaving for the jury only the issue of statutory damages.[102] The jury awarded $675,000 (based on $22,500 for each of the thirty works litigated). Judge Gertner later reduced the amount to $67,500 on the grounds that the jury award violated due process.[103] The First Circuit reversed.[104] On remand before Judge Rya Zobel,[105] the court reinstated the $675,000 award,[106] which the First Circuit affirmed.[107]

These cases poured salt into the wounds opened by the mass litigation campaign. They reinforced the perception that copyright law disserves the public: it deprives consumers of easy access to a broad catalog of music, imposes grossly disproportionate penalties on those caught file-sharing, and does little to support the artists.

Other copyright enforcement actions fueled public and computer researcher animus toward the copyright system. In 2001, the Federal government arrested and jailed Dmitry Sklyarov, a Russian computer programmer visiting the United States to give a presentation on "eBook's Security – Theory and Practice" for allegedly violating the anti-circumven-

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100 *See* Affidavit in Support of Motion to Dismiss and in Support of Motion for Summary Judgment at 2, Sony BMG Music Entm't v. Tenenbaum, Civil Action No.07-CV-11446 (D. Mass.) (filed Nov. 16, 2007), *available at* http://joelfightsback.com/wp-content/uploads/487.pdf.

101 *See* Ben Sheffner, *Tenenbaum Takes the Stand: I Used P2P and Lied About It*, ARS TECHNICA (July 30, 2009), http://arstechnica.com/tech-policy/news/2009/07/tenenbaum-takes-the-stand-i-used-p2p-and-lied-about-it.ars.

102 *See* Ben Sheffner, *Copyrights & Campaigns, Plaintiffs Win Tenenbaum Case; Court Considers Rule 50 Ruling; Grants Directed Verdict on Copyright Liability*, HOLLYWOOD REP. (July 31, 2009), http://thresq.hollywoodreporter.com/2010/03/new-litigation-campaign-targets-tens-of-thousands-of-bittorrent-users.html.

103 *See* Sony BMG Music Entm't v. Tenenbaum, 721 F. Supp. 2d 85, 116 (D. Mass. 2010).

104 *See* Sony BMG Music Entm't v. Tenenbaum, 660 F.3d 487 (1st Cir. 2011) (holding that district court violated principle of constitutional avoidance and inappropriately bypassed issue of common law remittur).

105 Judge Gertner retired from the bench in the interim.

106 *See* Sony BMG Music Entertainment v. Tenenbaum, 2012 WL 3639053 (D. Mass 2012 Aug. 23, 2012).

107 *See* Sony BMG Music Entertainment v. Tenenbaum, 719 F.3d 67 (1st Cir. 2013).

tion provision of the DMCA.[108] The prosecution confirmed concerns in the computer field that the DMCA threatened researchers and free speech. Within days of the arrest, the "Free Dmitry" movement gained salience, leading to a boycott of Adobe products, the commercial entity behind the arrest. The government dropped all charges against Skylarov on the condition that he testify against ElcomSoft, his employer. A jury in San Jose, California found ElcomSoft not guilty of all four charges under the DMCA.[109]

Litigation over YouTube's video-sharing service added further fuel to the public's ire over copyright law. Like Napster before it, YouTube quickly emerged following its 2005 launch as one of the most charismatic, popular, and viral websites in history.[110] Consumers could now share and enjoy all manner of engaging, amusing, informative, and entertaining videos at the touch of their computer for free. And although much of what YouTube hosted was truly "user-generated" content, users were also uploading clips from their favorite television shows and motion pictures. I came to learn of Comedy Central's The Daily Show with Jon Stewart through YouTube.

YouTube would enter the realm of not just public acclaim but also financial jackpot when Google acquired the start-up for $1.65 billion in November 2006.[111] Within a few months, Viacom would file a lawsuit seeking $1 billion for "brazen" copyright infringement,[112] producing yet another Dickensian copyright battle aimed at an incredibly popular Internet service. The potential for further disproportionate remedies may

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108 *See* United States v. ElcomSoft *and* Sklyarov, WIKIPEDIA, http://en.wikipedia.org/wiki/United_States_v._ElcomSoft_and_Sklyarov (last visited Nov. 4, 2013).

109 *See* Matt Richtel, *Russian Company Acquitted of Digital Piracy*, N.Y. TIMES (Dec. 18, 2002), http://www.nytimes.com/2002/12/18/technology/18DIGI.html.

110 *See Youtube Serves up 100 Million Videos a Day Online*, USA TODAY (Jul. 16, 2006), http://usatoday30.usatoday.com/tech/news/2006-07-16-youtube-views_x.htm.

111 *See* Andrew Ross Sorkin & Jeremy W. Peters, *Google to Acquire YouTube for $1.65 Billion*, N.Y. TIMES (Oct. 9, 2006), http://www.nytimes.com/2006/10/09/business/09cnd-deal.html?_r=0.

112 *See Viacom International Inc. v. YouTube, Inc.*, WIKIPEDIA, http://en.wikipedia.org/wiki/Viacom_International_Inc._v._YouTube,_Inc. (last visited Nov. 4, 2013).

well have led the courts to distort copyright law.[113] The litigation continues to drag on like Jarndyce v Jarndyce.[114]

Content industry efforts to take down YouTube videos that qualify as fair use has further undermined the copyright system's legitimacy. Take the case of Stephanie Lenz, a young parent who posted a twenty-nine second clip of her adorable baby boogying to a nearly unrecognizable song on YouTube.[115] Her intention was merely to share this adorable camcorder video with friends and family. It turns out that the song in the background was Prince's Let's Go Crazy. The audio quality of the video was so poor that I did not even recognize the background music. It is difficult to see how this posting was not fair use. It is even more difficult to understand why Prince would object.

Nonetheless, Prince ordered his record label, Universal Music Group (UMG), to file a takedown notice.[116] YouTube removed the "Dancing Baby" video and notified Ms. Lenz of the removal based on UMG's infringement allegation. The controversy came to EFF's attention and they agreed to fight UMG's takedown request. Ms. Lenz sent YouTube a DMCA counter-notification[117] asserting that the video made fair use of the Prince sound recording and requesting that the video be reposted, which YouTube did several weeks later. Thereupon Prince threatened to sue.[118]

Stephanie Lenz and EFF decided to take matters into their own hands and filed a lawsuit seeking declaratory relief that the video was not infringing and seeking damages for misuse of the DMCA takedown process.[119] Like the Viacom v. YouTube litigation, Lenz v. UMG continues to drag on more than six years after the case was filed. The "Dancing Baby" video remains available on YouTube and has attracted more than one million views. The infant depicted in the video is now seven years old. I periodically visit the website to see the comments. Here is a recent collection:

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113 *See* Peter S. Menell, *Judicial Regulation of Digital Copyright Windfalls: Making Interpretive and Policy Sense of* Viacom v. YouTube *and* UMG Recordings v. Shelter Capital Partners, MEDIA INSTITUTE (May 3, 2012), http://www.mediainstitute.org/IPI/2012/050212.php.

114 *See Bleak House*, WIKIPEDIA, http://en.wikipedia.org/wiki/Bleak_House.

115 *See "Let's Go Crazy" #1*, YOUTUBE, http://www.youtube.com/watch?v=N1KfJHFWlhQ (uploaded Feb. 7, 2007).

116 *See Lenz v. Universal Music Corp.*, WIKIPEDIA, http://en.wikipedia.org/wiki/Lenz_v._Universal_Music_Corp (last visited Nov. 4, 2013).

117 *See id.*

118 *See* Mike Collett-White, *Prince to Sue Youtube, Ebay over Music Use*, REUTERS (Sep. 13, 2007), http://www.reuters.com/article/2007/09/14/us-prince-youtube-idUSL13643284200709147.

119 *See* Lenz v. Universal Music Corp., 572 F. Supp. 2d 1150 (N.D. Cal. 2008).

> Shit! I was just going to Best Buy and purchase this very Prince CD . . . when suddenly the song came on YouTube! I'm Saved! Now I won't buy the CD and just listen to this one instead, and keep my money in my pocket. Thanks piracy! (29 thumbs up)
>
> Copyright laws are garbage. We need a new system that protects small fry and forces the big businesses to back the fuck off. (12 thumbs up)
>
> I wonder if your [sic] a [sic] still fan of Prince after he did this
>
> I can't even tell what artist that is, let alone what song. UMC must've put forensic specialists on it to even figure out it [sic] they owned it. Strange days.
>
> Stephanie Lenz is a hero. I wish she'd taken UMC for $10 million.

In 2010, Righthaven LLC joined the digital copyright enforcement lottery by entering into agreements with news organizations to scour the Internet for copies of their stories and file lawsuits demanding $75,000 and surrender of the domain name.[120] Like Prince and UMG, Righthaven paid little heed to concepts like fair use. Even more troubling, Righthaven lacked legal authority to pursue some of its cases. The scheme began to unravel when Judge Roger Hunt ruled that Righthaven lacked standing to sue for copyright infringement because the news organizations retained control of the copyrights.[121] Judge Hunt ordered Righthaven to pay sanctions. Other problems ensued, driving Righthaven into insolvency.[122] The adverse publicity surrounding this campaign further denigrated the public's view of copyright protection[123] and distorted the law.[124]

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120 *See* Dan Frosch, *Enforcing Copyrights, for a Profit*, N.Y. TIMES, May 3, 2011, at B1, *available at* http://www.nytimes.com/2011/05/03/business/media/03righthaven.html?; *Righthaven*, WIKIPEDIA, http://en.wikipedia.org/wiki/Righthaven (last visited Nov. 4, 2013).

121 *See* Steve Green, *Judge: Righthaven Masquerading as a Company*, VEGAS INC. (Jul. 14, 2011), http://www.vegasinc.com/news/2011/jul/14/judge-fines-righthaven-5000-misleading-court-over-.

122 *See* Mike Masnick, *Righthaven Loses Again; Told To Pay $34,045.50 In Legal Fees*, TECHDIRT (Aug. 16, 2011), http://www.techdirt.com/articles/20110815/17441215537/righthaven-loses-again-told-to-pay-3404550-legal-fees.shtml; Righthaven, *supra* note 120.

123 *See* Nate Anderson, *Law & Disorder/Civilization & Discontents: Copyright Troll Righthaven Finally, Completely Dead*, ARSTECHNICA (May 9, 2013), http://arstechnica.com/tech-policy/2013/05/copyright-troll-righthaven-finally-completely-dead (quoting defense counsel: "Copyright law exists to protect the creative process, and to reward authors — not to create illegitimate shakedown schemes.").

124 *See* Shyamkrishna Balganesh, *The Uneasy Case Against Copyright Trolls*, 86 S. CAL. L. REV. 723, 742 (2013) (noting that when courts "realized their inability to curb Righthaven under other principles, a few courts — desperate for a solution and finding none [ ] — began to interpret fair use in extremely liberal terms. These courts effectively exempted conduct that would have been considered infringement in relation to any other plaintiff.")

If you thought that the digital copyright enforcement saga could not get any more sordid, you would be mistaken. Beginning in 2010, enterprising copyright enforcement lawyers came up with a new shakedown scheme. File lawsuits against thousands of porn file-sharers and threaten to disclose their identity unless they paid hefty settlements.[125] Like the RIAA file-sharing cases, the porn file-sharing cases have inundated the federal courts,[126] leading some judges to express revulsion at the tactics. Judge Otis Wright II has seen enough of these lawsuits to become an expert in their underlying economic structure:

> The Court is familiar with lawsuits like this one. These lawsuits run a common theme: plaintiff owns a copyright to a pornographic movie; plaintiff sues numerous John Does in a single action for using BitTorrent to pirate the movie; plaintiff subpoenas the ISPs to obtain the identities of these Does; if successful, plaintiff will send out demand letters to the Does; because of embarrassment, many Does will send back a nuisance-value check to the plaintiff. The cost to the plaintiff: a single filing fee, a bit of discovery, and stamps. The rewards: potentially hundreds of thousands of dollars. Rarely do these cases reach the merits.[127]

This disturbing pattern led him to declare that:

> [t]he federal courts are not cogs in a plaintiff's copyright-enforcement business model. The Court will not idly watch what is essentially an extortion scheme, for a case that plaintiff has no intention of bringing to trial. By requiring Malibu to file separate lawsuits for each of the Doe Defendants, Malibu will have to expend additional resources to obtain a nuisance-value settlement—making this type of litigation less profitable. If Malibu desires to vindicate its copyright rights, it must do it the old-fashioned way and earn it.[128]

Somewhat like the Righthaven actions, Malibu lacked the rights to bring these infringement actions, leading Judge Wright to impose sanctions on the law firm bringing the case and referring them for possible criminal prosecution.[129]

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125 *See* Sarah Jacobsson Purewal, *Copyright Trolls: 200,000 BitTorrent Users Sued Since 2010*, TechHive (Aug. 9, 2011), http://www.techhive.com/article/237593/copyright_trolls_200_000_bittorrent_users_sued_since_2010.html; Eriq Gardner, *New Litigation Campaign Quietly Targets Tens of Thousands of Movie Downloaders*, Hollywood Rep. (Mar. 30, 2010), http://thresq.hollywoodreporter.com/2010/03/new-litigation-campaign-targets-tens-of-thousands-of-bittorrent-users.html.

126 *See* Rachel Storch, The Adult Film Industry and the New Wave of Peer-to-Peer Copyright Suits (unpublished manuscript May 2013) (on file with author).

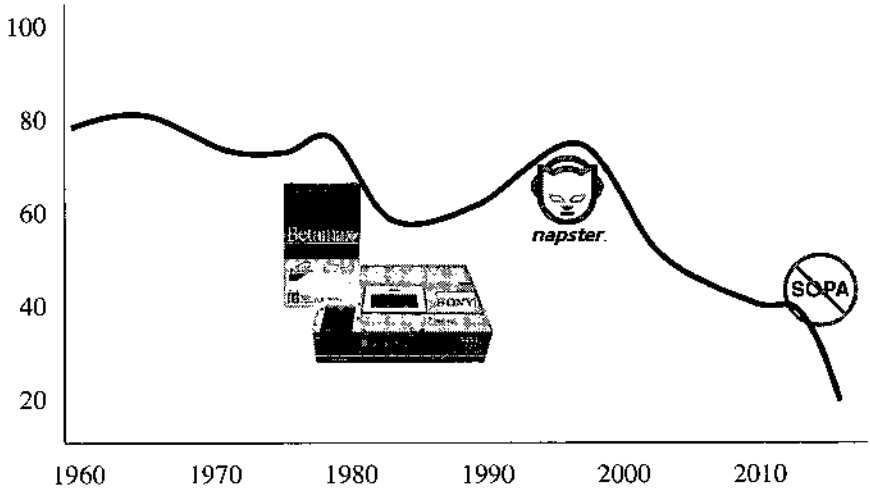
127 Malibu Media, LLC v. John Does 1 through 10, at *3, 2012 WL 5382304 (C.D. Cal. 2012 June 27, 2012).

128 *Id.* at *4.

129 *See* Ingenuity 13, LLC v. John Doe, 2013 WL 1898633 (C.D. Cal. 2013 May 6, 2013) (beginning sanction opinion with a quotation from Spock in *Star Trek*

The public's disenchantment with the copyright system reached a record low in the lead up to congressional consideration of the Stop Online Piracy Act (SOPA)[130] — draft legislation aimed at combating foreign rogue websites. The outrage culminated in concerted blackouts and demonstrations of opposition of many popular websites (Wikipedia, Reddit, Mozilla, Google) that contributed to Congress shelving the legislation.[131] Here is my perception of copyright law's public approval rating over the course of my life.

Figure 3
Copyright Public Approval Rating



Source: completely made up; but possibly accurate

II: The Wrath of Khan (1982): "The needs of the many outweigh the needs of the few."); Joe Mullin, *Law & Disorder/Civilization & Discontents – Prenda Hammered: Judge Sends Porn-Trolling Lawyers to Criminal Investigators Lawyers Who Obfuscated for Years Face Disbarment and an $81,000 Fine*, ARSTECHNICA (May 6, 2013), http://arstechnica.com/tech-policy/2013/05/prenda-hammered-judge-sends-porn-trolling-lawyers-to-criminal-investigators; Mike Masnick, *Bad Day For Prenda Continues: Judge Rejects Stay, Adds $1k Per Day For Each Day They Don't Pay Up*, TECHDIRT (May 21, 2013), http://www.techdirt.com/articles/20130521/15164823159/bad-day-prenda-continues-judge-rejects-stay-adds-1k-per-day-each-day-they-dont-pay-up.shtml.

130 H.R. 3261, 112th Cong. (2011).

131 *See* Amy Goodman, *The SOPA Blackout Protest Makes History: An Unprecedented Wave of Online Opposition to the SOPA and PIPA Bills Before Congress Shows the Power of a Free Internet*, THE GUARDIAN (Jan. 18, 2012), http://www.theguardian.com/commentisfree/cifamerica/2012/jan/18/sopa-blackout-protest-makes-history.

ACT II: WHY SHOULD SOCIETY CARE ABOUT COPYRIGHT'S PUBLIC APPROVAL RATING?

Copyright law played a behind the scenes role in the formative years of "My Generation" largely because "we" — America's teenagers of the 1970s — lacked the technological tools and wherewithal to access, remix, and share copyrighted works on any substantial scale. Vinyl operated as an effective technological protection measure. Sneaking into movie theaters did not liberate the film for all to see. Video capture technology was science fiction.

That is not to say that we did not try to use technology to express ourselves (and circumvent control). As much as we tried, however, the quality of mix tapes was not nearly as good as the originals — and we cared about fidelity as well as "free." The attraction of mix tapes had more to do with playing disc jockey, assembling favorite songs by mood, and space shifting — recording music for car stereos and portable cassette music devices (the Sony Walkman).[132]

Thus, copyright's public approval rating did not much matter in that primitive technological era. If "My Generation" wanted music, film, and books, we had to go through a market. Advances in digital technology have dramatically changed that ecosystem. What separates "My Generation" from the "Post-Napster Generations" is not values or tastes; rather it is their technological ability to personalize, customize, remix, and transform copyrighted works and their ability to operate outside of content market gatekeepers. Today's youth as well as everyone else has alternatives to theater box offices, television networks, music stores, and book stores. As a result, the efficacy of the copyright depends critically upon its public approval rating.[133] For the first time in the more than 300 year history of copyright protection, consumers have choices and power. And for the first time, copyright (not technology) is the primary limit on their ability to exercise these choices.[134]

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[132] It is worth noting that copyright owners lacked the technology to detect such copyright infringements feasibly. In addition, as noted earlier, see OFFICE OF TECH. ASSESSMENT, *supra* note 32, finding that such copying did not adversely affect industry revenues. The Internet has facilitated infringement as well as technology for detecting it, further bringing users and owners into conflict.

[133] As Professor Lessig suggested long ago, "West Coast Code" can trump "East Coast Code." *See* LAWRENCE LESSIG, CODE AND OTHER LAWS OF CYBERSPACE 53 (1999).

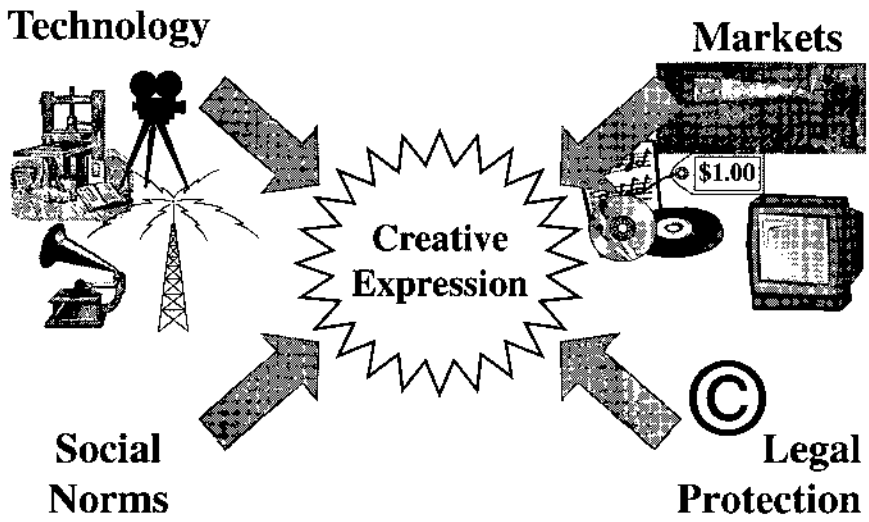
[134] *See* Joseph P. Liu, *Copyright Law's Theory of the Consumer*, 44 B.C. L. REV. 397 (2003).

A. Content Governance: From the Analog Age to the Internet Age

Throughout history, content industries have functioned in response to technological and institutional forces. The development of all of the major content industries trace back to key technological innovations that made possible the instantiation and dissemination of expressive works. The printing press enabled publishing, leading eventually to the development of copyright protection as a means for authors and publishers to appropriate a return on their investment in writing, typesetting, and distributing manuscripts.

At any point in time, the level of creative expression depends on the interplay of the technology for creating, reproducing, and disseminating works of authorship, the ability of businesses to commercialize such works, legal protections for creative works (including enforceability conditions), as well as social norms. Figure 4 illustrates these forces.

Figure 4
Content Governance Ecosystem



For much of the past century, these forces made for a relatively robust ecosystem for numerous forms of creative expression. The publishing, film, and sound recording industries prospered in the twentieth century. The printing press enabled publishers to reproduce books at relatively low marginal cost; a large network of booksellers brought these products to markets; and copyright law effectively discouraged book piracy. The film industry could protect their products by controlling exploitation through leases to theaters; copyright law played a relatively small role given the

difficulty of gaining access to films. And the sound recording industry thrived in part because of the difficulty of making copies of sound recordings until well into the twentieth century. Federal copyright law did not even protect sound recordings until 1971. Yet protections for musical compositions, the relative unavailability of consumer copying technology until the 1970s, the loss of fidelity through copying, and the monitoring of record stores supported a robust marketplace.

Even without copyright protection, a content industry can flourish if technological means (encryption) or market means (contract, reputation) can limit unauthorized distribution of creative expression. And even if copyright protection exists, creative expression can be stunted to the extent that works can be copied and distributed without detection or effective enforcement.

Through my formative years, the technological and institutional conditions effectively channeled even "My [rebellious] Generation" into content markets. Many of us would have relished the free access to our favorite albums, movies, and books. But technological and market realities stood in our way. Social norms had little effect on the content governance equilibrium.

The digital revolution has activated the social norms quadrant of the content governance ecosystem. Before the digital revolution, individuals did not have the need or opportunity to develop any norms regarding copyright. Because the technological constraints were so strong, there effectively were no norms that were not already enforced by technology and market forces. In a matter of months, file-sharing services, followed by Bittorrent and cyberlockers, provided an inexhaustible, nearly universal repository of copyrighted works for the post-Napster generations. That's not to say that other forces exert no force. Technological protection measures continue to serve various content industries, such as video games. And online market places (such as iTunes, Amazon, Netflix, Spotify, and Hulu) have gained salience. But there is little question that the functioning of the content governance ecosystem depends more on social norms than at any other time in copyright history. If that ecosystem is to function well not just for access but also as an engine of creative expression, then we will need to understand social norms.[135]

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[135] *See* Depoorter, Van Hiel & Vanneste, *supra* note 88, at 1283-89 (arguing that enforcement-based strategies seeking disproportionate sanctions are counterproductive for deterring file-sharing of copyrighted works); Svensson & Larsson, *supra* note 88; Ingram & Hinduja, *supra* note 88, at 359 (finding that "almost 90 percent of sample respondents believed that downloading unauthorized music files was an appropriate behavior"); Feldman & Nadler, *supra* note 88; Depoorter & Vanneste, supra note 88; Tom R. Tyler, *Compliance with Intellectual Property Laws: A Psychological Per-*

B. *Reflections on Popular Music and Independent Film in the Internet Age*

The contours of social norms are notoriously difficult to assess. They are suffused across enumerable age, regional, social, and economic communities.[136] We talk about baby boomers (those born after World War II through the early 1960s),[137] Generation X (those born between the early 1960s and the early 1980s),[138] and Millennials, also known as Generation Y[139] (those born between the early 1980s and the early 2000s). As a late Baby Boomer, I must draw on exposure to my students and children — bona fide Millennials — as well as a variety of professional experiences to understand the forces shaping the post-Napster content governance ecosystem.

1. Popular Music: Creators Caught in a Dual Vise

As noted previously,[140] I was struck by the speed at which many academics reached clear and firm conclusions about how Napster would affect the music industry.[141] Perhaps due to my training as an economist (em-

spective, 29 N.Y.U.J. INT'L L. & POL. 219, 220, 234 (1997) (observing that the difficulties concerning gaining compliance with intellectual property law are typical of the problems involved in a wide variety of areas; and that "reliance upon threats of punishment to enforce intellectual property laws is a strategy that is likely to be ineffective"); *see generally* TOM R. TYLER, WHY PEOPLE OBEY THE LAW (1990) (explicating a multi-faceted psychological framework for understanding compliance with law).

136 *See* EDWARD CHEUNG, BABY BOOMERS, GENERATION X AND SOCIAL CYCLES, VOLUME 1: NORTH AMERICAN LONG-WAVES (2007); NEIL HOWE & WILLIAM STRAUSS, GENERATIONS: THE HISTORY OF AMERICAS FUTURE, 1584 TO 2069 (1991).

137 *See Baby Boomer*, Wikipedia, http://en.wikipedia.org/wiki/Baby_boomer (last visited Nov. 4, 2013); LANDON JONES, GREAT EXPECTATIONS: AMERICA AND THE BABY BOOM (1980).

138 *See Generation X*, WIKIPEDIA, http://en.wikipedia.org/wiki/Generation_X (last visited Nov. 4, 2013); *cf.* DOUGLAS COUPLAND, GENERATION X: TALES FOR AN ACCELERATED CULTURE (1991).

139 *See Generation Y*, WIKIPEDIA, http://en.wikipedia.org/wiki/Generation_Y (last visited Nov. 4, 2013); JEAN M. TWENGE, GENERATION ME: WHY TODAY'S YOUNG AMERICANS ARE MORE CONFIDENT, ASSERTIVE, ENTITLED—AND MORE MISERABLE THAN EVER BEFORE (2006); WILLIAM STRAUSS & NEIL HOWE, MILLENNIALS RISING: THE NEXT GREAT GENERATION (2000); *Generation Y*, AD AGE 16 (Aug. 30, 1993).

140 *See supra*, Section I(D).

141 *See* LESSIG, *supra* note 47; Fisher, *supra* note 44; Netanel, *supra* note 48; *see also* Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004); Raymond Shih Ray Ku, *The Creative Destruction of Copyright: Napster and the New Economics of Digital Technology*, 69 U. CHI. L. REV. 263 (2002);

phasizing that there is no such thing as a free lunch) or knowing how sixteen year-old me would have responded to free music, I was more cautious in judging the broader ramifications of the digital revolution than many of my academic colleagues. On the one hand, the allure of online access to a universal catalog was hard to resist. Furthermore, MP3.com demonstrated that new artists could reach vast audiences without the need for record labels. On the other hand, it was difficult to see how songwriters and recording artists could recoup the time, energy, and costs — albeit reduced by advances in digital technology — of creating and marketing their creativity. I was deeply conflicted and felt that we needed some time to see how these technological shocks would reverberate through, and likely alter, the ecosystem.

The reality was literally brought home when my older son, then a precocious adolescent, arrived home from school one day to tell me about this great technology called Napster. Dylan had been brought up listening to the great music of my youth — The Who, Bob Dylan, The Beatles, Led Zeppelin, The Rolling Stones, Eric Clapton, Boston — and was developing his own interests (Green Day) and learning to play guitar. He also loved computers and the Internet. It was only natural that he would see Napster as a dream come true.

Whereas most parents worry about the "sex" talk with their children, intellectual property professionals have an additional worry — the file-sharing talk. Although Dylan seemed to understand the logic of what I had to say, he was not too happy when I indicated that we were going to resist the Napster temptation. I promised that we would come up with a solution. As noted previously,[142] Steve Jobs came to my rescue (as well as the rescue of the recording industry).

While this moral dilemma was avoided in our family, it was clear from discussions with my law students and music industry trends that most Millennials were drawn to file-sharing like bees to honey. At first, there were few online alternatives to Napster and the other file-sharing services that would follow in its wake. But even as authorized online services like iTunes emerged, the music industry witnessed unprecedented annual declines in record sales (including digital revenue streams). Attorneys and music industry professionals whom I had gotten to know were increasingly pessimistic. The San Francisco Bay Area's baby band marketplace — which had nurtured dozens of bands from Jefferson Airplane through Green Day — was drying up.

Glynn S. Lunney, Jr., *The Death of Copyright: Digital Technology, Private Copying, and the Digital Millennium Copyright Act*, 87 VA. L. REV. 813 (2001).

142 *See supra*, Section I(D).

It was about this time (2006) that I received an inquiry from a Bay Area antitrust lawyer with whom I was acquainted. He asked if I could assist his son, a Brown University undergraduate who was lead singer, songwriter, and guitarist for an up-and-coming New England-based band called Zox. In particular, he was hoping that I could help the band land a major record label deal. He also knew that Eli was thinking about law school. I offered to help. His dad sent me their latest CD ("The Wait") and Eli's contact information.

I was immediately struck by Zox's violin-laced Reggae rock and imaginative songwriting. Moreover, my sons — who were thirteen and sixteen at the time and avid musicians and music fans — were also taken with Zox's music. Eli joined us for dinner over the winter break and we came to appreciate his extraordinary musical talent first-hand as well as the challenges faced by budding popular musicians.

I spent the following week reaching out to contacts in the music industry, which confirmed what I had been hearing. Major record labels were in free fall since Napster's emergence and there was little funding for "baby bands." I was sorry to pass along the disappointing news to Eli. I offered to help him in thinking about career paths — music and law — and we agreed to stay in touch.

Zox would continue creating music for another year. They had an independent record label deal with SideOne Dummy Records. Their record sales were anemic (by pre-Napster standards), but they were filling clubs in New England and getting positive reviews for their recorded music and live shows. Eli would visit my IP in the Entertainment Industries class that winter to discuss the challenges of pursuing a music career as an independent band — having to be a jack-of-all-trades (songwriting, performance, artwork, marketing, roadie, merchandise).

Zox was approaching an important career decision. Its third album (Line in the Sand) was nearing release. Eli was in his last year of college and had been accepted to top law schools; Zox's drummer had been accepted to a top business school. They hoped that Zox could break through, but also recognized that time was running out if they were to retain other career options. They decided to defer graduate school for a year to see if they could get to the next level as a band. If it worked, they would stick with it. If it did not pan out, then they would confront the fork in the road.

Line in the Sand received glowing reviews,[143] but the year on the road proved difficult. The band more than covered their costs, but the financial and emotional toll of touring was significant.

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[143] *See, e.g.*, Tony Sclafani, *Zox: Line in the Sand*, POPMATTERS (Feb. 14, 2008), http://www.popmatters.com/review/zox-line-in-the-sand; Hey Mr. Light

Eli would enroll at Stanford Law School in fall 2008. Midway through the year, he mentioned that Zox would be doing a reunion show back in Providence on Memorial Day weekend and suggested that our family might want to see the performance. It just so happened that Dylan would be finishing his first year of college in Boston and my spouse's twenty-fifth college reunion at Brown University was taking place that very weekend. We purchased flight and concert tickets. I asked Eli if we might drop by the club earlier in the day to see the band set-up.

As much as I had grown to appreciate Zox's music, I perceived, based on Eli's modesty and Zox's modest record sales, that the band had a moderate-sized fan base. I was expecting that the reunion concert would take place at a medium-sized club — perhaps a few hundred people. Imagine our surprise when we arrived at Lupo's — one of Providence's premier concert venues — to a marquee announcing: "Zox – Sold Out Show."

When we returned that evening, the crowd — approximately 2,000 raucous fans packed into a large converted theater — exploded when Zox took the stage. It felt like a Springsteen concert. From the band's opening note, the crowd joined in singing the lyrics of every song. The energy grew throughout the evening as the band renewed a deep bond with an appreciative fan base. Crowd surfers hovered above the mosh pit throughout the evening as the theater expressed its admiration. The evening flew by.

My kids emerged from the mosh pit drenched in sweat and the feeling that mild-mannered Eli was a rock star. I left the theater wondering how a band could bestow so much joy and yet struggle to survive. When I returned to Berkeley, I explored reviews of Zox's music[144] and surfed the

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Man, *Zox: Take Me Home*, SPUTNIK MUSIC (Jan. 14, 2005) ("They sound like Sublime meets Dave Matthews; mixing punk, reggae, rock and classical; which adds up to a very unique sound.") http://www.sputnikmusic.com/review/129/ZOX-Take-Me-Home; *Zox*, JAMBASE, http://www.jambase.com/Artists/15677/Zox/Bio (last visited Nov. 4, 2013; *Zox*, LEEDS MUSIC SCENE, http://www.leedsmusicscene.net/article/7497 (last visited Nov. 4, 2013).

144 Writing in *PopMatters*, an online cultural magazine, reviewer Tony Sclafani summed up *Line in the Sand* as "both memorable and significant, stellar musicianship, and an overall impassioned tone." *See* Tony Sclafani, *Zox: Line in the Sand*, POPMATTERS (Feb. 14, 2008), http://www.popmatters.com/review/zox-line-in-the-sand. He compared Eli's voice to "a more down-to-earth version of Bono," noting "the band's top-flight songwriting . . . that puts the group over the top. Whether writing personal anthems like "Line in the Sand" or tear-jerking ballads like "The Wait (Part II)", Miller sounds like he's firing on all cylinders this time around, filling every verse, chorus and bridge with memorable hooks and lyrics. It helps that Miller has Swain to weave sinewy violin lines around his melodies and guitar work. The innovative combo of Swain fiddling while Miller burns is what pushes ZOX out of the category of revivalists and into the realm of innovators." He notes, somewhat prophetically, that "[m]aybe the band knew it had to push

countless fan comments posted on Zox's YouTube videos. Not surprisingly, most of the fan comments were unabashedly positive: "you conquer all"; ":) love it"; "Absolutely an amazing video and song. Thanks for making some original music to listen to!"; "WHY ISN'T ZOX FAMOUS?!?!!?!?"

As I was scrolling through the love fest, one comment jumped off my computer screen: "Does anyone have this mp3?" My jaw dropped. Here was a celebration of the Zox fans in which one of the participants had no qualms about asking other fans how to get a copy of a song — which was available through iTunes, Amazon, and the band's website — without paying. In essence, "can another fan help me to rip off the band?"

I was initially encouraged by AngryFuriousMonkey's response: "Hey, here's an idea: BUY THE DAMN CD ALEADY!" To which the requester recommended "ANGER MANAGEMENT." AngryFuriousMonkey relented: "There's nothing wrong with downloading. I do it constantly. If you look harder, you might be able to find the mp3. But, you can also BUY THE DAMN CD!"

It was then that I realized that the post-Napster generations might not even perceive the moral or economic dimensions of file-sharing.[145] This was not a situation — as in the early Napster days — where an authorized digital version of a song might not be available at all. And even the fan who questioned the requester acknowledged that he or she downloaded "constantly." Yet in perusing other Zox video pages, one sees fans bemoaning that the band no longer performs and has not released new music: "They're putting on a 10 year reunion show in RI August 13th [2011]@ Lupos. Its going to be their only show this year, possibly their last show for a very long time. : \ i LOVE zox!"; "One of the best bands I've seen live! Hope they come out with new music SOON!"; "They've been on the mainstream circuit (at least to some degree) since around '04. I first

itself with this release or risk second-tier status forever. Miller's lyrics on the title track show him casting about for a change in his life: 'People keep on saying that I've got potential / Lately I haven't been feeling all that special / How I'm gonna turn it around'. ZOX may just start to feel special when the CD's first single, 'Goodnight', hits college radio. An acoustic ballad of the highest order, it reworks the cynical kiss-off vibe of Green Day's "Time of Your Life" into a more positive message of also finding something better ahead. The mix of minor and major chords is gorgeous, and its laundry list of descriptive phrases as evocative as the Jam's transcendent 'That's Entertainment'. Swain's violin sounds like it's sobbing during its solo, and there's a synth line that glues together the verses that's as unexpected as it is catchy. Judging from a clip on YouTube, it's already a concert favorite."

145 *See* Ingram & Hinduja, *supra* note 88, at 359 (2008) (finding that "almost 90 percent of sample respondents believed that downloading unauthorized music files was an appropriate behavior"); Svensson & Larsson, *supra* note 88; Depoorter & Vanneste, *supra* note 88.

heard them at a small concert at DePauw in Indiana. They're definitely one of the best bands out there . . . unfortunately they seem to have gone into hiding since? mid-'09."

This story captures a key aspect of the pathology affecting creative industries in the Internet Age: Fans don't perceive a connection between file-sharing and the economic challenges facing creative artists.

Internet pundits and even some recording artists have contributed to this perception. In 2008, Wired Editor Chris Anderson foretold the triumph of "freeconomics": "the trend lines that determine the cost of doing business online all point the same way: to zero."[146] He proclaimed that "[a] decade and a half into the great online experiment, the last debates over free versus pay online are ending. In 2007 The New York Times went free; this year, so will much of The Wall Street Journal."[147] Whereas "free" was once a "marketing gimmick" or a cross-subsidy, the Internet has produced a "full-fledged economy" that rewards those who give away creative works. Anderson noted that "[o]ffering free music proved successful for Radiohead, Trent Reznor of Nine Inch Nails, and a swarm of other bands . . . that grasped the audience-building merits of zero. The fastest-growing parts of the gaming industry are ad-supported casual games online and free-to-try massively multiplayer online games. Virtually everything Google does is free to consumers, from Gmail to Picasa . . . ."[148] Andersen's 2009 book, Free: The Future of a Radical Price, expounded on this theme to much fanfare and acclaim.[149]

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146 *See* Chris Anderson, *Free! Why $0.00 Is the Future of Business*, WIRED MAGAZINE: 16.03 (Feb. 25, 2008), http://www.wired.com/techbiz/it/magazine/16-03/ff_free?currentPage=all.

147 *See id.*

148 *See id.*

149 It should be noted that Thom Yorke (Radiohead), Trent Reznor, the *New York Times*, and the *Wall Street Journal* would later bemoan the "Free" model. *See* Greg Sandoval, *Radiohead, Nine Inch Nails, and Other Digital Pioneers Sour on 'Pay What You Want' Music: Audiences Have Come to Expect Free Tracks, but They're Not Paying the Bills*, THE VERGE (Mar. 4, 2013), http://www.theverge.com/2013/3/4/4054634/musics-pay-what-you-want-pioneers-wour-on-giving-away-songs; Thom Yorke, *Trent Reznor and a Chorus of Artists Speak Out for an Ethical and Sustainable Internet*, THE TRICHORDIST: ARTISTS FOR AN ETHICAL AND SUSTAINABLE INTERNET (Sept. 6, 2013), http://thetrichordist.com/2013/09/06/thom-yorke-trent-reznor-and-a-chorus-of-artists-speak-out-for-an-ethical-and-sustainable-internet; *Trent Reznor: 'Radiohead Inspired Me to Return to a Major Label'*, *NML* (Oct. 15, 2012), http://www.nme.com/news/radiohead/66647; David Skok, *A Market-Driven Comeback for High-Quality Reporting*, NIEMAN JOURNALISM LAB (Dec. 20, 2012), http://www.niemanlab.org/2012/12/a-market-driven-comeback-for-high-quality-reporting; *see* Sam Gustin, *New York Times Prepares Digital Paywall, Tiered Pricing*, WIRED (Jan. 24, 2011), http://www.wired.com/epicenter/2011/01/times-paywall; Seth Mnookin, The

These assertions contribute to the file-sharing social norm — free is not just good for me, but good for the artists and the economy. Like those generations that preceded it, the post-Napster generations possess the incredible human capacity for rationalizing their self-interest. In fact, some sociologists suggest that Millennials may have a heightened capacity for being "entitled."[150] But I don't need that added contributing factor. Sixteen-year-old me would have been drawn to that rationalization. Moreover, given the inherent non-rivalrous quality of digital goods, unauthorized copying can appear like a victimless crime. Unlike with theft of physical property, no one is deprived of a copy when a file is shared. Therefore ethical instincts about physical property do not necessarily apply and hence arguments based on "theft," as content companies publicized, did not ring true and were mocked.[151] The nature of the harm is more diffuse and manifests in the incentives for future creative output.

Thus, there are good reasons, however, to question Andersen's celebration of free.[152] Even though the cost of distributing expressive creativity has fallen precipitously in the Internet Age, the cost of producing compelling content remains significant. And although concert revenue has risen significantly during the past decade, the majority of that revenue goes to a relatively small pool of megastars and legacy bands.[153] The next wave of artists struggles mightily to makes ends meet. Conveying that message to Millennials is not easy.

Kingdom and the Paywall, N.Y. MAG. (Jul. 24, 2011), http://nymag.com/news/media/new-york-times-2011-8; Stephen J. Dubner, *Wall Street Journal Paywall Sturdier than Suspected*, FREAKONONOMICS.COM (Jan. 24, 2008), http://www.freakonomics.com/2008/01/24/wall-street-journal-paywall-sturdier-than-suspected.

150 Based upon personality surveys, Professor Jean Twenge sees Millennials as possessing a greater sense of entitlement and narcissism than prior generations. *See* JEAN M. TWENGE, GENERATION ME: WHY TODAY'S YOUNG AMERICANS ARE MORE CONFIDENT, ASSERTIVE, ENTITLED – AND MORE MISERABLE THAN EVER BEFORE (2007).

151 *See* Stuart P. Green, *When Stealing Isn't Stealing*, N.Y. TIMES, Mar. 28, 2012, at A27.

152 *See* Tim Kreider, *Slaves of the Internet, Unite!*, N.Y. TIMES (Oct. 27, 2013), http://www.nytimes.com/2013/10/27/opinion/sunday/slaves-of-the-internet-unite.html; ROBERT LEVINE, HOW DIGITAL PARASITES ARE DESTROYING THE CULTURE BUSINESS, AND HOW THE CULTURE BUSINESS CAN FIGHT BACK (2011); MARK HELPRIN, DIGITAL BARBARISM: A WRITER'S MANIFESTO (2009); ROBERT LEVINE, FREE RIDE: HOW DIGITAL PARASITES ARE DESTROYING THE CULTURE BUSINESS, AND HOW THE CULTURE BUSINESS CAN FIGHT BACK (2011); *Malcolm Gladwell, Priced to Sell: Is Free the Future?*, NEW YORKER (Jul. 6, 2009); Peter S. Menell, *2014: Brand Totalitarianism*, 47 U.C. DAVIS. L. REV. 787 (2014).

153 *See* Alan B. Krueger, *The Economics of Real Superstars: The Market for Rock Concerts in the Material World*, 23 J. LABOR ECON. 1 (2005).

In 2009, I came across a video entitled "How's the Album Selling?"[154] that captured the moral aspects of file-sharing in a way that spoke comically and honestly to the post-Napster generation. The video opens with Scotty Iseri finishing his set at the "Dive Bar." Following some tepid applause, a colloquy unfolds:

Male Fan (coolly):	Dude . . . awesome show.
Scotty (modestly):	Thanks, thanks very much.
Male Fan:	So how much for your CD?
Scotty:	It's six bucks.
Male Fan (outraged):	DUDE, SIX BUCKS. BRO, COME ON!
Scotty (apologetically):	Dude, it's six bucks.
Male Fan (outraged):	BRO, RADIOHEAD GAVE AWAY THEIR ALBUM FOR FREE.
Scotty (incensed):	DO I LOOK LIKE FUCKING RADIOHEAD TO YOU?
Male Fan (exasperated):	OK, calm down, here's your six bucks, Jesus. . . . Hey, I got a buddy who'd be into this. Do you mind if I burn him a copy?
Scotty (sheepishly):	Kind of
Male Fan:	Seriously
Scotty:	Kind of, yea . . . but what am going to do about it?
Male Fan (arrogantly):	THAT'S RIGHT, WHAT ARE YOU GOING TO DO ABOUT IT?
Scotty:	I mean that I would like anyone who wants to listen to it get a copy, but . . .
Male Fan (arrogantly):	BUT WHAT?
Scotty:	You know, I mean it cost me three bucks to burn the CD and print out a label and put it in a case. And then, you know, I wrote the songs and played all the instruments and recorded the music and spent many a Saturday night hunched over my laptop getting the EQ on the ukelele just right instead of having sex with my fiancé . . . so I figure that's worth about three bucks too.

[154] The video was produced by and featured Scotty Iseri.

Male Fan (geekly): But, OK, but Chris Andersen in Wired said the future of music is free and you can make a living by touring and giving away your music online . . .

Scotty (outraged): CHRIS ANDERSEN CAN BITE MY TINY, TATTOOED, HALF-JAP ASS. YOU TELL CHRIS ANDERSEN TO GIVE HIS BOOKS AWAY FOR FREE[155] AND MAKE HIS MONEY PLAYING IN SHITTY CLUBS IN PROVO, UTAH WHERE THE FOUR DOLLAR COVER CHARGE GOES STRAIGHT TO THE BAR AND THE ONLY WAY TO MAKE GAS MONEY TO THE NEXT TOWN IS IF SOME DRUNK PICKS UP A COPY OF THE CD.

Male Fan (geekly): Hang on. It says Creative Commons on the back. So . . . doesn't that mean that I can just give this away for free.

Scotty (frustrated): No, that . . . You're awfully well-informed for a drunk frat guy in a bar.

Make Fan: I was a hipster my freshman year of college.

Scotty: Got it.

Male Fan (geekly): OK, but what about this recent article by Kevin Kelly that Cory Doctorow put up on boingboing that said for an artist to make a living in the 21st century you only need one

Scotty (interrupting, exasperated, and with rising anger): Look, look . . . just take this CD. Just take it. I hope you like it. Burn copies for your friends. Put it up on Bittorrent. It's fine, it's fine, it's fine. AND YOU OUT THERE (pointing at camera), YOU OUT THERE ON THE INTERNET. YOU WANT A CD, EMAIL ME, EMAIL "I DON"T HAVE SIX BUCKS @ GMAIL.COM" WITH A SUBJECT LIKE CHRIS ANDERSEN SAYS YOU'LL GIVE ME FREE SHIT. AND I'LL SEND YOU THE GOD DAMNED CD.

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155 Note: Chris Andersen did make his book available for free for a short time; but later went on to sell several hundred thousand copies.

Male Fan (sheepishly):	Maybe it's not very good.
Scotty (frustrated):	That's entirely possible and probably more likely. Do you want the CD or not?
Male Fan (confidently):	Nah, I'll just download it later. Thanks Bro. (Walks away)
Female Fan walks up (in valley girl accent):	Oh my God, Oh my God, that was so funny . . . . I totally saw you last year in Salt Lake City and I totally bought your CD.
Scotty (modestly, cringing):	Thanks, thanks very much.
Female Fan:	Is this the new one (CD)?
Scotty:	Yep, it is. It's six dollars.
Female Fan:	Cooool. Thaaaaanks. I'm gonna post this one online too. My friends just loved it . . .
Scotty:	(looking quizzically into the camera)

Scotty Iseri's video captures critical aspects of the social norms affecting the music industry: the rationalization ("Chris Andersen in Wired said the future of music is free and you can make a living by touring and giving away your music online"), the indignance (WHAT ARE YOU GOING TO DO ABOUT IT?), and the cluelessness ("I'm gonna post this one online too").

The video also captures aspects of the policy debate. When I first saw this video, it reminded me of conversations that I periodically had with Fred von Lohmann, formerly of the Electronic Frontier Foundation (EFF) and now employed by Google. I would articulate economic and moral justifications for channeling file-sharing into markets, to which Fred would essentially say — file-sharing is here to stay: WHAT ARE COPYRIGHT OWNERS GOING TO DO ABOUT IT? While I could understand his response as a prediction of how self-interest might play out in the highly promiscuous Internet ecosystem, I struggled to see how this was good for promoting creative expression. I could not understand why EFF did not use its considerable bully pulpit within the post-Napster generations to encourage ethical behavior as digital content channels emerged.

I would have to admit, however, that even more robust digital content markets might not transmit market demand effectively to creative artists. The entertainment field has long been plagued by content industry intermediaries short-changing artists through accounting practices and backroom legislative deals.[156]

In mid 2008, I received an inquiry that would bring this aspect of the content governance ecosystem into clearer focus. A transactional en-

[156] *See supra*, note 51.

tertainment lawyer representing F.B.T. Productions, which was in the midst of litigation regarding Emimen's digital royalties, called to see if I would advise them about the custom and practice in the music industry. Jeff and Mark Bass discovered Marshall Mathers (better known as Eminem, his stage name) as a teenager and signed him to a production deal before he was known outside of the Detroit rap scene.[157] Jeff would co-write several of Eminem's biggest hits and F.B.T. — short for "Funky Bass Team" — produced his break through albums The Slim Shady LP (1999), The Marshall Mathers LP (2000), The Eminem Show (2002), and 8 Mile (2002). As a result, F.B.T. had a financial stake in Eminem's record contract and music publishing royalty streams. Eminem's career took off just as the digital revolution unfolded. He had been the top selling artist of the decade at the time of the litigation.[158]

The dispute related to digital revenues (such as iTunes downloads and ringtones) owed to F.B.T. My initial reaction after reviewing the pertinent contracts was that F.B.T. did not need my assistance. The royalty provision provided a rate in the 18 to 20% range based on the "full price records sold . . . through normal retail channels," with volume escalations. The provision then stated:

> Notwithstanding the foregoing: . . . On masters licensed by [the record label] to others for their manufacture and sale of records or for any other uses, your royalty shall be an amount equal to fifty percent (50%) of our net receipts from the sale of those records or from those other uses of the masters."[159]

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157 *See Eminem*, WIKIPEDIA, http://en.wikipedia.org/wiki/Eminem (last visited Nov. 4, 2013); ANTHONY BOZZA, WHATEVER YOU SAY I AM: THE LIFE AND TIMES OF EMINEM 14-24 (2003); Gary Eskow, *The Bass Brothers and Eminem*, MIX (Aug. 2, 2000, 12:00 PM), http://mixonline.com/mag/audio_bass_brothers_eminem.

158 *See Best of the 2000s: The Decade in Charts and More*, BILLBOARD, http://www.billboard.com/articles/news/266420/artists-of-the-decade (last visited Nov. 4, 2013) (citing Eminem as the best-selling artist of the 2000s). As of 2012, Eminem placed third on the list of top-selling digital artists of all time at 42.29 million digital tracks, behind Rihanna (47.5 million), and the Black Eyed Peas (42.4 million). *See Rihanna Now the Biggest Digital Artist of All Time*, ABC NEWS RADIO (Jan. 6, 2012), http://abcnewsradioonline.com/music-news/2012/1/6/rihanna-now-the-biggest-selling-digital-artist-of-all-time-1.html

159 *See* Memorandum of Points and Authorities in Support of Plaintiffs' Motion for Summary Judgment, F.B.T. Prods., LLC v. Aftermath Records, Case No. CV 07-03314 PSG (Dec. 3, 2008) at 1 [hereinafter "F.B.T. MSJ Brief"]; DONALD S. PASSMAN, ALL YOU NEED TO KNOW ABOUT THE MUSIC BUSINESS 176 (4th ed. 2000) (stating that "[t]he royalty on coupled product that's licensed to someone else by your record company is usually 50% of the company's licensing receipts").

Since Apple and other digital retailers must have had licenses to reproduce and distribute digital copies of the sound recordings — otherwise, they would be infringing the sound recording and musical composition copyright — it was clear that the "Masters Licensed" clause applied and the labels should have been paying 50% of net receipts on digital transactions through Apple and other digital licensees. I advised F.B.T.'s counsel that this was a clear contractual provision under which F.B.T. should have been paid under the "Masters Licensed" clause for digital downloads and indicated that they did not need my assistance on such a clear question.

Nonetheless, F.B.T.'s counsel requested that I work with them to respond to the aggressive litigation and expert barrage that they were facing. As I delved into the case, I came to realize why Universal Music Group — the world's largest record label — waged such an unrelenting fight. The 1998 Eminem-Aftermath contract reflected standard industry practice at the time, with the label paying a relatively low royalty rate on albums manufactured and sold by the label (the "Records Sold" clause) and 50/50 split of net receipts on licenses to third parties (the "Masters Licensed" clause).[160] The economic logic was straightforward: where the label did more work in manufacturing, distributing, and marketing the recording, it derived a larger share of the proceeds. The principal master licenses had been for films and television programming and greatest hits albums, but there was no reason why this clause — on the record label's form contract — should not apply to revenue from iTunes transactions.

By 1998, UMG had opened a specialized unit to plan entry into the emerging digital marketplace.[161] It would eventually launch Pressplay, a joint venture with Sony Music Entertainment.[162] As an owner of this ser-

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160 *See* Passman, *supra* note 159, at 108, 176.

161 It was initially called the Electronic Commerce and Advanced Technologies (eCAT) and renamed eLabs in 2000. *See DataPlay Board of Directors Elects Universal eLabs President Lawrence Kenswil*, Business Wire (Aug. 1, 20001), http://www.thefreelibrary.com/DataPlay+Board+of+Directors+Elects+Universal+eLabs+President+Lawrence. . .-a063798201. In a 2012 interview, Mr. Kenswil would comment that "there was a general reluctance to outsource by licensing if you could do it yourself." *See* Aram Sinnreich, The Piracy Crusade: How the Music Industry's War on Sharing Destroys Markets and Erodes Civil Liberties 51 (2013), *available at* http://mediacommons.futureofthebook.org/mcpress/piracycrusade.

162 *See Technology Briefing Internet: Pressplay to Start Today*, N.Y. Times (Dec. 19, 2001); Lori Enos, *Online Music Service Duet Renamed 'Pressplay" Amid Talk of Sony Exit*, E-Commerce Time (Jun. 12, 2001), http://www.ecommercetimes.com/story/11174.html; Pressplay offered consumers 300 streams and thirty downloads per month for $9.95 a month, or 1,000 streams, 100 downloads and twenty songs that could be burned onto a CD or transferred

vice, UMG could arguably treat digital download transactions under the "records sold" clause of its record deals. Napster's rapid emergence disrupted this game. Pressplay limped out of the starting gate and failed to gain traction in the marketplace,[163] eventually providing Steve Jobs with the leverage to persuade UMG and the other major record labels to license their sound recordings to the iTunes Music Store.[164] In conjunction with the popular iPod device,[165] iTunes succeeded in selling millions of downloads, which would precipitate the battle over digital revenues.

By licensing their catalogs to Apple's iTunes Music Store, UMG and the other major record labels exposed themselves to artists contending that download sales should be treated under the more favorable "Masters Licensed" clause of the standard agreements. Nonetheless, they contended that the "Records Sold" clause applied to digital downloads through licensee-third party online vendors[166] while at the same time un-

to a portable player, for $24.95 a month. *See* Catherine Greenman, *BASICS; Streaming Fishing: A Guide to Net Radio*, N.Y. TIMES (Apr. 18, 2002), http://www.nytimes.com/2002/04/18/technology/basics-stream-fishing-a-guide-to-net-radio.html?pagewanted=all&src=pm.

163 Pressplay and MusicNet, the other label-owned and developed online service, failed for a variety of reasons, including the challenge of competing with Napster and other "free" peer-to-peer services as well as technological limits on consumer autonomy, limited catalog selection, and low-quality audio. *See* Dan Tynan, *The 25 Worst Tech Products of All Time*, PCWORLD (May 26, 2006), http://www.pcworld.com/article/125772-3/the_25_worst_tech_products_of_all_time.html; *see* Adam Lashinsky, *Saving Face at Sony*, FORTUNE, Feb. 21, 2005, at 79 (reporting that Pressplay "initially failed to license music from competing labels and as a result never attracted many users" and was eventually abandoned); Menell, *supra* note 31, at 172-74; Fred Goodman, *Will Fans Pay for Music Online?*, 17 ROLLING STONE (Jan. 31, 2002) (noting notable limits on consumer autonomy).

164 *See* Chris Taylor, *Invention of the Year: iTunes Music Store*, TIME (Nov. 16, 2003), http:// www.time.com/time/specials/packages/article/0,28804,1935038_1935059_1935086,00.html; Thomas K. Grose, *Sing When You're Winning*, TIME (Feb. 18, 2006), http://www.time.com/time/magazine/article/0,9171,1161172-2,00.html (noting that "the big breakthrough came from Apple, which finally convinced millions of consumers to pay for downloadable music").

165 STEVEN LEVY, THE PERFECT THING: HOW THE IPOD SHUFFLES COMMERCE, CULTURE, AND COOLNESS (2006)

166 *See* Letter to Heads of the Major Record Labels from 27 Artist Attorneys (Mar. 24, 2004) (stating that "[r]ather than recognize the arrangements between the major labels and independent electronic distributors as licensees, for which we feel there can be no *bona fide* legal dispute, and paying our clients according to the applicable ["masters licensed"] provision of their contracts, all five major record labels have adopted the position that paid downloads are equivalent to sales of CDs through retailers").

dertaking a campaign to renegotiate active catalog artist agreements to exclude digital downloads from the "Masters Licensed" clause.[167]

Eminmen's record deal put F.B.T. in an unusually favorable position to challenge UMG's royalty payments. Dr. Dre's UMG sub-label Aftermath Records signed Eminem through F.B.T. Productions to a record deal in 1998. A 2000 novation placed Emimen in a direct contractual relationship with Aftermath Records while retaining F.B.T.'s royalty stream and accounting right. With Eminen's career skyrocketing following chart-topping records and a starring role in the autobiographical film 8 Mile, Aftermath sought a new, longer-term agreement in 2003.

By that time, UMG had entered into an agreement with Apple Computer authorizing sale of UMG recordings through the iTunes Music Store. Consequently, UMG (and its affiliated sub-labels) sought to require all new and renegotiated recording agreements with artists to contain a provision excluding digital downloads from the "Masters Licensed" clause. Recognizing Eminem's strong bargaining position, his attorney declined to alter that clause and it carried over to the 2003 agreement.[168]

Following an accounting that revealed that UMG was not compensating F.B.T. at the 50/50 rate, F.B.T. filed suit. In an ironic twist, the attorneys representing both sides of the 2003 contract — Gary Stiffelman on behalf of Eminem and Peter Paterno on behalf of Aftermath Records[169] — had signed a letter to the heads of the major record labels stating that the standard "Masters Licensed" clause covered digital downloads from

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[167] *See* DONALD S. PASSMAN, ALL YOU NEED TO KNOW ABOUT THE MUSIC BUSINESS 158-59 (6th ed. 2006) (stating that "[a]fter a lot stumbling arounds, the industry has settled into a routine. Under all the deals made in the last few years, and in the renegotiations of older deals, [the recording artist] get[s its] royalty rate applied to the amount received by the company [for digital downloads, streaming-on-remand, ring tones and ring backs, non-interactive webcasting, satellite radio, and podcasting].").

[168] There were some inconsequential alterations, such as renumbering paragraphs. *See* F.B.T. MSJ Brief, *supra* note 159, at 4-5.

[169] The explanation for this unusual circumstance was that Dr. Dre — who began his music career as a recording artist — chose to use his attorney (Peter Paterno) rather than UMG attorneys to negotiate Aftermath deals. Peter Paterno's career centered around artist representation, with the band Metallica as one of his chief clients. *See Music Fans Must Rebel Against Greedy Record Labels*, FOXNEWS.COM (Feb. 26, 2002), http://www.foxnews.com/story/2002/02/26/music-fans-must-rebel-against-greedy-record-industry (stating that "Music industry attorney Peter Paterno has become the first guy to call when doing a Napster-related story. Metallica and Dr. Dre are among his clients. . . . Twice in the past week, Paterno has lashed out at those who exchange music on the Internet. . . . 'If I was running a record company, as opposed to the wimps that are running one, I'd say, "You know what, I have no interest in compromising, and I'm going to go sue Little Johnny who's downloading this stuff."'")

third parties. Nonetheless, UMG did all that it could to fight their partners over this issue. They succeeded at trial,[170] but lost resoundingly at the Ninth Circuit:

> the agreements unambiguously provide that "notwithstanding" the Records Sold provision, Aftermath owed F.B.T. a 50% royalty under the Masters Licensed provision for licensing the Eminem masters to third parties for any use. It was undisputed that Aftermath permitted third parties to use the Eminem masters to produce and sell permanent downloads and mastertones.[171]

The bulk of active artists were forced to give up this provision, meaning that they see precious little from digital downloads. Moreover, they have been pushed into so-called "360 Deals" which will make it more difficult for them to gain artistic and commercial independence.[172] Many back catalog artists — those not releasing new records — who were not pressured to renegotiate are seeking higher royalties on digital downloads.[173]

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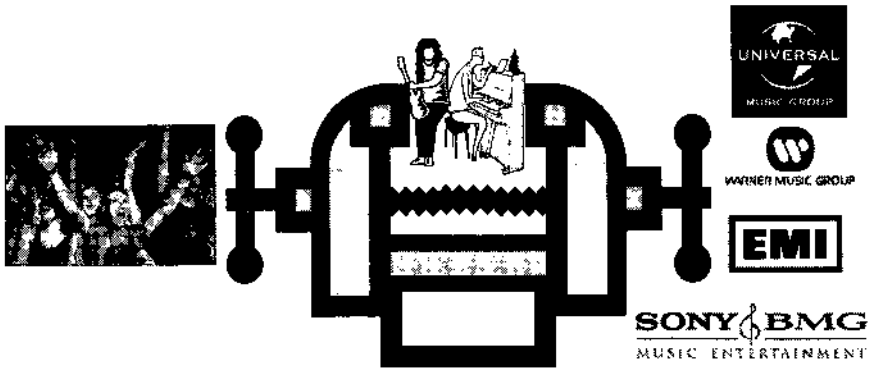
[170] *See* Amy Kaufman, *Eminem Loses Case to Universal Music Group*, THE WRAP (Mar. 6, 2009), http://www.thewrap.com/media/article/eminem-loses-case-universal-music-group-1750.

[171] *See* F.B.T. Prods., LLC v. Aftermath Records, 621 F.3d 958, 967 (9th Cir. 2010); Sharon Waxman, *Updated: Eminem Wins Royalties from Universal, UMG Will Fight It*, THE WRAP (Sept. 3, 2010), http://www.thewrap.com/media/column-post/breaking-eminem-wins-royalties-universal-appeal-20615.

[172] *See* Daniel J. Gervais, Kent M. Marcus & Lauren E. Kilgore, *The Rise of 360 Deals in the Music Industry*, LANDSLIDE 40 (Mar./Apr. 2011). This is not to say that some established artists have not done well through 360 deals. Madonna and Jay-Z have obtained large advances for signing these contracts. It is less clear that lesser-known acts, which do not see large advances, will ultimately benefit from these arrangements. *See id.*

[173] *See* Eriq Gardner, *Judge Declines Universal Music Group's Bid to Dismiss Class Action Over Digital Revenue*, BILLBOARD (Nov. 2, 2011) (citing a study by the Future of Music Coalition that "estimated that the difference in interpretation just for music downloaded off of iTunes alone could be $2.15 billion"), http://www.billboard.com/biz/articles/news/1162202/judge-declines-universal-music-groups-bid-to-dismiss-class-action-over; Christopher Morris, *F.B.T. Settles with UMG, Aftermath: "Eminem Case" Cited as Precedent for Other Digital Royalty Suits*, VARIETY (Oct. 29, 2012), http://variety.com/2012/music/news/f-b-t-settles-with-umg-aftermath-1118061395 (noting that "[t]he F.B.T. case had been closely watched, for several class actions and individual suits had been launched in the wake of the appellate decision by artists — most of them heritage acts with contracts dating in many cases back to the '70s — who claimed they were also entitled to higher digital royalties. In nearly all cases, the actions cited the appellate decision as a precedent.").

Figure 5
Caught in a Dual Vise



These experiences revealed the dire ecosystem facing songwriters and performing artists in the Internet Age. As depicted in Figure 5, they are being squeezed by two powerful and determined forces. Fans came to see recorded music as essentially a free good. They have little compunction about downloading and sharing digital files. They rationalize "freeconomics" as good for artists as well as themselves. On the other side of the vise, and compounding the file-sharing rationalization,[174] record labels were willing to go to extraordinary lengths to short-change recording artists[175] — losing sight of how such machinations would undermine the marketplace for music as well as copyright's legitimacy among consumers and recording artists. This pathology is self-reinforcing. Consumers' file-sharing norm is reinforced by the perception (and reality) that record labels exploit artists. File-sharing reinforces corporate pressures to short-change artists.

2. Popular Films: Anytime, Anywhere, and Free

The effects of file-sharing and social norms on the film industry unfolded later than the music industry due to the large size of feature length digital motion picture files and the use of DVD encryption in digital release of film products. They would, however, reach dramatic proportions in 2009. That was the year in which Kathryn Bigelow's acclaimed independently produced film, The Hurt Locker, garnered six Academy Awards including Best Picture and Best Director at the Academy Awards yet underperformed any prior Best Picture winner. The staggered theatrical dis-

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[174] Many fans wonder why they should pay for music if artists are just getting ripped off by their labels anyway. *See supra*, Section I(D).

[175] *See supra*, Section I(D).

tribution played a role, but unauthorized distribution through BitTorrent swarms and cyberlockers unquestionably hurt The Hurt Locker.[176]

A short time later, I would gain a first-hand account of the challenges facing independent filmmakers from a UC-Berkeley colleague. Ellen Seidler is an experienced broadcast journalist and filmmaker with ties to UC-Berkeley's Graduate School of Journalism. Her directing credits include the award-winning "Fighting for Our Lives – Facing AIDS in San Francisco," narrated by Linda Hunt and appearing on PBS. Ellen would become an unlikely crusader for copyright enforcement.[177] Her story about producing an independent film illustrates the opportunity and challenges for artists in the Internet Age.

In 2007, Ellen and Megan Siler set out to pursue a dream that they shared — producing a lesbian romantic comedy. Any film project entailed involved risk, but a project of this nature was especially challenging. It would not gain widespread theatrical distribution and hence would need to rely upon alternative distribution channels. Ellen and Megan believed that the digital marketplace (DVDs and authorized Internet streaming and downloads) in conjunction with film festival showcases could provide a viable means for recouping the substantial investment. They scraped together the financing from their own savings and mortgaging assets and handled many of the production tasks themselves. Their film, And Then Came Lola, premiered to a sold-out audience at the San Francisco Frameline LGBT Film Festival and was screened at dozens of film festivals around the world. It garnered glowing reviews: "A lesbian film done right . . . . Fast-paced, energetic and fun!"[178] "A sugar rush of a lesbian movie

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176 A substantial contributing factor to the theatrical shortfall was that *The Hurt Locker* was publicly released in Italy and elsewhere more than six months before its U.S. theatrical release. *See The Hurt Locker*, WIKIPEDIA, http://en.wikipedia.org/wiki/The_Hurt_Locker (last visited Nov. 4, 2013). Copies made their way onto unauthorized channels long before it was available through key authorized markets. *See The Hurt Locker Producers to Take on Pirates*, NEWS.COM.AU (May 13, 2010), http://www.news.com.au/technology/the-hurt-locker-producers-to-track-down-pirates/story-e6frfro0-1225865968935 (observing that "*The Hurt Locker* made just $18 million in the US and $47m worldwide after being leaked onto the internet more than five months before its U.S. release")

177 *See* Schuyler Velasco, *Pop-Up Piracy: Indie Filmmaker Speaks Out*, BACKSTAGE: THE ACTOR'S RESOURCE (Jul. 6, 2010), http://www.backstage.com/news/pop-up-piracy-indie-filmmaker-speaks-out.

178 *See* Jim Teit, *Off to the Cinema; Q-Fest Arrives in Philly*, NBC PHILADEPHIA (Jul. 10, 2009), http://www.nbcphiladelphia.com/the-scene/archive/One-of-a-Kind-Q-Fest-Opens-Today.html.

. . . . Funny, campy and wildly imaginative."[179] They were on track to repay their debts.

Unfortunately, Ellen and Megan had not foreseen the emergence of advertising-driven cyberlocker services geared toward content piracy when they embarked on their film project. Within a day of the German DVD release, And Then Came Lola showed up on unauthorized websites throughout the world. Ellen's life quickly shifted from filmmaker to anti-piracy forensics geek. She was soon spending two to three hours per day ferreting out unauthorized links — multiplying into the thousands — and trying to use the Digital Millennium Copyright Act's takedown system to staunch the unauthorized flow. But no sooner did she request that a copy be taken down that more copies appeared on the same service. She even found copies dubbed in foreign languages; such was the economic motivation for posters.

Recognizing that this whack-a-mole approach was doomed to failure, Ellen turned to the underlying economic drivers. A new cyberlocker business model was driving a lot of the unauthorized traffic. Kim Dot Com's Megaupload service was a principal source of the problem. Its founder claimed to have a billion users and accounted for 4% of global Internet traffic at the height of its success. MegaUpload relied on legitimate businesses placing advertisements through ad networks within the cyberlockers. Those who could attract Internet users to their cyberlockers could earn revenue through the ad networks. So did MegaUpload. And how better to attract eyeballs to a cyberlocker than by hosting popular films and television shows and posting those links in chat rooms throughout the Internet.

By the time that I caught up with Ellen, her life had been transformed into the role of anti-piracy crusader. She went from making films and contributing directly to culture to speaking out about who profits from online piracy — developing videos about the economic drivers of piracy, blogging, maintaining a website devoted to the challenges facing filmmakers,[180] and appearing on radio talk shows to discuss the connection between piracy and profits.

The effects of film piracy are particularly grave because unlike sound recordings, which don't typically require large financial outlays, many of the most valuable films require substantial capital investment. When I

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[179] *See* Danielle Riendeau, *Review of "And Then Came Lola"*, AFTERELLEN.COM (Aug. 24, 2009), http://www.afterellen.com/review-of-and-then-came-lola/08/2009.

[180] *See Who Profits from Piracy*, POP UP PIRATES, http://popuppirates.com (last visited Nov. 4, 2013); VOX INDIE: COPYRIGHT & CREATIVE CULTURE – COMMENTARY, MEMES AND MORE, http://voxindie.org (last visited Nov. 4, 2013).

asked Ellen if she planned to pursue further independent film projects, she laughed. The experience of producing And Then Came Lola, only to struggle to repay the loans and watch as others profited from her hard work, chilled her expression.

C. *The Copyright/Internet Paradox*

For most of the history of copyright protection, authors and performing artists have struggled to find a sustainable way of supporting their art. The problem was not the lack of effective protection; it was the challenge of producing, manufacturing, marketing, and distributing the copyrighted product — a book, a film, a sound recording. They inevitably had to rely upon intermediaries, who typically took a large portion of the revenue. How could an author distribute a book without a publisher who could promote the project and manufacture and distribute it to a large network of bookstores? How could a musician produce, manufacture, market, and distribute a record without a major record label to ensure that thousands of copies would be in the right stores as the song hit the radio airwaves? How could a filmmaker finance, produce, and distribute a film without a major studio?

That is why we have come to see the copyright system as revolving around content industries — essentially the intermediaries that have connected creators and consumers. For most of the twentieth century, the content industries focused as much or more on the intermediaries — the publishers, studios, broadcasters, and record labels — as the authors, artists, and actors. Creators had to break through this phalanx in order to reach the audience.

Advances in digital technology have substantially reduced the role of the intermediaries separating creators and fans. Eli Miller and Ellen Seidler — like many other talented and resourceful artists and authors — are role models for what the copyright system aims to encourage: direct commerce between creators and fans. Yet digital technology has created new challenges that rival the old.[181] Although Eli and Ellen can reach large audiences directly, the promiscuity of Internet technology erects new challenges to their economic sustainability. Both, unfortunately, have moved on to other livelihoods notwithstanding their desires to pursue creative

[181] *Cf.* The Songwriters Association of Canada's Proposal to Monetize the Non-commercial Sharing of Music (updated Mar. 2011) ("Music file-sharing is a vibrant, open, global distribution system for music of all kinds, and presents a tremendous opportunity to both creators and rights-holders. Additionally, once a fair and reasonable monetization system is in place, all stakeholders including consumers and Internet service providers will benefit substantially."), http://www.songwriters.ca/proposaldetailed.aspx (last updated Jan. 2011).

projects and the apparent desire of their fans for them to create music and film.

I have come to see the content governance ecosystem as a paradox. The very technologies that empower creators and enable them to reach vast audiences without the intermediaries of old make it ever more difficult to achieve an adequate reward for their investments in producing art. What we are seeing is a shift in the creative ecosystem toward alternative financing mechanisms, with advertising-based models as the primary drivers. Such models, however, distort the art and manipulate the audience.[182] I believe that what creators want is a fair compensation system based on the popularity of their art; and what consumers want is easy access to creative original art at a competitive price.

I don't intend to suggest that there has been no progress in these directions. We are seeing the emergence of innovative symbiotic distribution platforms — such as iTunes, Spotify, Hulu, and Netflix — that enhance the digital content marketplace.[183] Nonetheless, these markets are plagued by complex pathologies that undermine public respect for the copyright system.

1. Digital Music Platform Pathology

The emergence of the Napster platform demonstrated the technological possibility of a true celestial jukebox in mid 1999. Although Napster had not licensed the content flowing through its system, it nonetheless proved to the music-loving public that they could seamlessly gain access to any musical track through an Internet connection. Once such a tantalizing possibility had been revealed, the public was not going to be content with anything less. This did not necessarily mean that such an extraordinary technology had to be free. But it had to be available, user-friendly, and reasonably priced.

Unfortunately, the byzantine structure of music copyright and the music industry as well as antitrust law posed tremendous challenges in achieving what consumers came to expect. The emergence of the radio industry provides the closest analogy. It took several decades to develop and implement a workable licensing structure.[184] This system has operated since the 1950s under a complex antitrust consent decree. In the Analog Age, consumers had no alternative to regulated radio channels and

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[182] *See* Menell, *supra* note 152.

[183] *See* Paul Sloan, *Spotify: Growing Like Mad, Yet So Far to Go*, C—NET (Mar. 12, 2013), http://news.cnet.com/8301-14013_3-57573394/spotify-growing-like-mad-yet-so-far-to-go.

[184] *See* RUSSELL SANJEK, PENNIES FROM HEAVEN: THE AMERICAN POPULAR MUSIC BUSINESS IN THE TWENTIETH CENTURY (1996).

hence they had no choice to wait for the slow evolutionary processes of business licensing and legal oversight to run their course.

The Internet Age afforded music industry titans no such luxury. If copyright owners were not willing or able to provide a celestial jukebox, then technology entrepreneurs and consumers would create their own. As noted previously,[185] UMG and other music companies were in the planning phases of digital music services in the late 1990s. They hoped to use digital rights management technology to build a controlled digital jukebox. But once consumers got a taste of Napster, many would have none of the clunky, fragmented, tethered music services being offered by the major record labels. Pressplay and MusicNet limped out of the starting gate and quickly failed as ventures.

Napster's rapid emergence forced the major record labels and music publishers to pivot their strategy,[186] which produced the historic Apple iTunes licensing deals with much of the industry. This business model, however, achieved only limited market scope. It did wonders for Apple's iPod sales, but only modestly offset the recording industry's revenue decline. Even after Napster's shutdown, consumers continued to flock to other peer-to-peer services from Grokster to Grooveshark. The music industries gradually expanded licensing of music to a broader range of vendors, but competing with free was a challenge. Each of the services had limitations and drawbacks.

Spotify, introduced in parts of Europe beginning in 2008 and launched in the United States in mid 2011, comes closest to offering consumers a vast authorized catalog (approximately 20 million songs) on a wide range of devices through a user-friendly interface — featuring consumer playlists, integration with preference-based playlists, radio stations, and social media integration.[187] All of these features are available through Spotify's Premium Service for $9.99 per month. A more limited service is available for $4.99 per month. And Spotify is available for "free" through an ad-supported system. As of March 2013, Spotify reported 6 million paying subscribers worldwide.[188] Its entire user base (ad-supported and paid subscribers) reached 24 million active users in March 2013.[189]

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185 *See supra*, Section II(B)(1).

186 *See* Amy Harmon, *Grudgingly, Music Labels Sell Their Songs Online*, N.Y. TIMES, July 1, 2002, at C1.

187 *See Spotify*, WIKIPEDIA, http://en.wikipedia.org/wiki/Spotify (last visited Nov. 4, 2013).

188 *See* Paul Sloan, *Spotify: Growing Like Mad, Yet So Far to Go*, C—NET (Mar. 12, 2013), http://news.cnet.com/8301-14013_3-57573394/spotify-growing-like-mad-yet-so-far-to-go.

189 *See id.*

Nonetheless, Spotify does not fulfill all of the critical desires of creators and consumers, which undermines its success as an alternative to unauthorized distribution. Although Spotify offers an innovative interface, the per-stream payment to artists has proven disappointing.[190] David Byrne estimates that a four person band with a 15% royalty on Spotify streams would need to stream nearly a quarter of billion performances per year in order to sustain a minimum wage of $15,080.[191] Rather than agreeing to a transparent royalty model, the labels obtained a $500 million advance from Spotify for the right to license their catalogs in the U.S.[192] and took an equity position — with a "a possible sale of shares by the label would end up in the proverbial 'blackbox' (non-attributable revenue that remains with the label)."[193] Meanwhile, "indie labels . . . as op-

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190 *See* Sven Grundberg, *Spotify Reveals the Math Behind Its Music Royalties; Streaming Service Pays Less than a Penny for Each Use*, WALL ST. J. (Dec. 3, 2013), http://online.wsj.com/news/articles/SB10001424052702303670804579236292495590448; (reporting payments of between .6 and .84 cents per song stream, but noting that this amounted to over $500 million in 2013, much of which goes to record labels); Ben Sisario, *As Music Streaming Grows, Royalties Slow to a Trickle*, N.Y. TIMES (Jan. 28, 2013), http://www.nytimes.com/2013/01/29/business/media/streaming-shakes-up-music-industrys-model-for-royalties.html (as corrected Jan. 31, 2013) (reporting that "Spotify generally pays 0.5 to 0.7 cent a stream for the paid tier, which results in $5,000 to $7,000 per million plays"). Spotify and its defenders respond that it provides a substantial payout to music copyrights owners. *See* Sloan, *supra* note 160 (reporting that Spotify pays out 70% of its revenue to music copyrights owners); *see also* Mike Masnick, *Myth Dispensing: The Whole "Spotify Barely Pays Artists" Story Is Bunk*, TECHDIRT (Jun. 26, 2012), http://www.techdirt.com/articles/20120622/16193319442/myth-dispensing-whole-spotify-barely-pays-artists-story-is-bunk.shtml.

191 *See* David Byrne, *The Internet Will Suck All Creative Content out of the World*, THE GUARDIAN (Oct. 11, 2013), http://www.theguardian.com/music/2013/oct/11/david-byrne-internet-content-world?CMP=twt_gu (noting that "[f]or perspective, Daft Punk's song of the summer, 'Get Lucky', reached 104,760,000 Spotify streams by the end of August: the two Daft Punk guys stand to make somewhere around $13,000 each. Not bad, but remember this is just one song from a lengthy recording that took a lot of time and money to develop.").

192 *See id.*

193 *See* Helienne Lindvall, *Behind The Music: The Real Reason the Major Labels Love Spotify*, LONDON: THE GUARDIAN (Aug. 17, 2009), http://www.theguardian.com/music/musicblog/2009/aug/17/major-labels-spotify; Steve Guttenberg, *Is Spotify Unfair to Musicians?*, C—NET (Oct. 17, 2011), http://news.cnet.com/8301-13645_3-57540964-47/is-spotify-unfair-to-musicians; Robert Andrews, *It's Time for Transparency on Music Streaming Rates*, PAIDCONTENT (Nov. 16, 2011), http://paidcontent.org/2011/11/16/419-its-time-for-transparency-on-music-streaming-rates; *Spotify Should Give Indies a Fair Deal on Royalties*, THE GUARDIAN (Feb. 1, 2011), http://www.theguardian.com/media/pda/2011/feb/01/spotify-royalties-independents; *cf.*

posed to the majors . . . receive no advance, receive no minimum per stream and only get a 50% share of ad revenue on a pro-rata basis."[194]

Because the legacy catalog is essential to Spotify's viability, the major labels were able to demand an equity stake and royalty regime that not only ensures that their own artists are marginalized but also that independent artists (i.e., those not controlled by the majors) don't see a reasonable share of digital music revenues.[195] These tactics mirror the machinations in the F.B.T. litigation.[196] Although major record labels have clout because of their catalog, the artists responsible for that catalog will be hard-pressed to derive a fair share.[197]

These patterns are playing out on new subscription platforms as well. Merlin, an organization that represents global digital rights for independent artists, expressed concern that indies are being unfairly treated in negotiations with subscription services because major labels demand large advances on royalties based on their physical goods market share.[198] Merlin contends that this approach unfairly treats independent labels, whose artists don't compete as effectively at physical good retailers. Basing payments on this baseline, as opposed to digital market share, artificially inflates major labels' market share. Furthermore, recording artists are preparing to bring lawsuits in Sweden against Universal Music Group and Warner Music over the distribution of Spotify royalties.[199]

These patterns create a pathology that undermines the content governance ecosystem. Some of the most popular recording artists — including Adele, Black Keys, Coldplay, deadmau5, Rihanna, Taylor Swift, and

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Masnick, *supra* note 165 (noting that "Spotify pays labels, not artists. And labels aren't always great about paying artists").

194 *See* Lindvall, *supra* note 193.

195 *See* Masnick, *supra* note 190 (noting that there are "legitimate concerns about how Spotify splits up its proceeds between major labels and indies, since the majors have an equity stake").

196 *See supra*, Section II(B)(1).

197 *See* Dave Morris, *Spotify's Miracle Growth Undermined by Artists' Revolt*, GLOBE AND MAIL (Aug 5, 2013), 2013 WLNR 19230580 (commenting that "if and when [Spotify] does IPO — rumours have swirled for several years, and valuations have approached $3-billion (U.S.) — it will have to reconcile with musicians, and right now, they seem further apart than ever").

198 *See* Janko Roettgers, *Merlin CEO: Major Labels Are Setting New Music Services Up to Fail*, PAIDCONTENT (Oct. 12, 1013), http://gigaom.com/2013/10/12/merlin-ceo-major-labels-are-setting-new-music-services-up-to-fail/?utm_source=General+Users&utm_campaign=78be9f7b95-c%3Amed+d%3A10-15&utm_medium=email&utm_term=0_1dd83065c6-78be9f7b95-99121857.

199 *See Artists to Sue Labels over Streaming Earnings in Sweden*, MUSIC:)ALLY: INFORMATION AND STRATEGY FOR THE MUSIC BUSINESS (Oct. 28, 2013), http://musically.com/2013/10/28/artists-to-sue-labels-over-streaming-earnings-in-sweden.

Thom Yorke — have kept their new releases off Spotify and other digital services in the hopes of attracting greater revenue from CD and digital download sales.[200] Other classic artists who control their masters — including AC/DC, Aimee Mann, the Beatles, Garth Brooks, and Led Zeppelin — have refused to allow their music to stream on authorized services.[201] The unavailability of such popular releases on the celestial jukebox, in turn, frustrates, confuses, and disillusions the very consumers who have joined an authorized service and fuels unauthorized downloads and streams of these artists' music. Furthermore, other artists have denigrated Spotify, with Thom Yorke of Radiohead proclaiming that Spotify is "the last desperate fart of a dying corpse"[202] and David Byrne declaring that "[t]he internet will suck all creative content out of the world."[203]

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200 *See* Andrew Orlowkski, *Radiohead's Thom Yorke Pulls His Own Music off Spotify*, THE REGISTER (Jul. 15, 2013), http://www.theregister.co.uk/2013/07/15/thom_yorke_spotify_no; Kia Makarechi, *Black Keys: Sean Parker Is an A**hole, Spotify Isn't Fair to Artists*, HUFFINGTON POST (Mar. 28, 2012), http://www.huffingtonpost.com/2012/03/28/black-keys-sean-parker-spotify-asshole_n_1384882.html; Robert Andrews, *Interview: Spotify Exec on Royalties and Keeping Labels Happy*, PAIDCONTENT (Dec. 10, 2012), http://paidcontent.org/2012/12/10/interview-spotify-exec-on-royalties-and-keeping-labels-happy.

201 *See* Charles Arthur, *Thom Yorke Blasts Spotify on Twitter as He Pulls His Music*, THE GUARDIAN (Jul. 15, 2013), http://www.theguardian.com/technology/2013/jul/15/thom-yorke-spotify-twitter; David Gritten, *Aimee Mann Interview: "I Don't Make Money from Spotify"*, THE TELEGRAPH (Jan. 24, 2013), http://www.telegraph.co.uk/culture/music/rockandpopfeatures/9822192/Aimee-Mann-interview-I-dont-make-money-from-Spotify.html.

202 *See* Alex Young, *Thom Yorke: Spotify Is "the Last Desperate Fart of a Dying Corpse"*, CONSEQUENCE OF SOUND (Oct. 3, 2013), http://consequenceofsound.net/2013/10/thom-yorke-spotify-is-the-last-desperate-fart-of-a-dying-corpse; *see also* Arthur, *supra* note 176 (quoting Yorke's tweet: "Make no mistake, new artists you discover on Spotify will not get paid. Meanwhile shareholders will shortly be rolling in it. Simples"). Yorke responded to the suggestion that his "rebellion is only hurting your fans," that he was "standing up for our fellow musicians." *See id.* Nigel Godrich, Radiohead's producer, notes that:

> Making new recorded music needs funding. Some records can be made in a laptop, but some need musician[s] and skilled technicians. Pink Floyd's catalogue has already generated billions of dollars for someone (not necessarily the band) so now putting it on a streaming site makes total sense. But if people had been listening to Spotify instead of buying records in 1973 I doubt very much if Dark Side [of the Moon, Pink Floyd's record-breaking album released that year which sold [ ] millions of copies] would have been made. It would just be too expensive.
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> *See id.*

203 *See* Byrne, *supra* note 166. Other artists see Spotify as a more promising future. *See* Helienne Lindvall, *Dave Stewart: Thom Yorke Was Wrong – Songwriters Should Worship Spotify*, THE GUARDIAN MEDIA BLOG (Sep.

Notwithstanding promising growth rates,[204] subscriptions to authorized services remain anemic and unauthorized services continue to attract a large following.

2. Digital Film Platform Pathology

As in the music industry, file-sharing accelerated the development of authorized Internet services by and in conjunction with film and television content owners. iTunes expanded beyond music into downloads of video content. Netflix, which began as a mail-order DVD rental business, shifted to a streaming service. Several studios combined to introduce Hulu. HBO and some cable providers have afforded their customers with broader access to their programming over the Internet.

These services have attracted a growing portion of would-be file-sharers through convenient, reasonably priced subscription plans and original programming. Nonetheless, the copyright owners and broadcasters undermine consumer confidence in the authorized content channels through fragmentation, limited availability of programming, and other restrictions that limit consumers' ability to access what they want, when they want it, at a fair price.[205] The obvious explanation is that such windowing enables the content owner to maximize profit through price discrimination. In the pre-Internet Age, consumers had little choice if they wanted to see the programming other than to wait. The Internet, however, provides another option — file-sharing.

This development puts copyright owners and broadcasters to a choice. And some enterprises have followed the control model. As a result, shows like HBO's *Game of Thrones* — which appeals to a demographic that is particularly able to use file-sharing technology — has become the most pirated show.[206] Jeff Bewkes, head of Time Warner, the studio that pro-

27, 2013), http://www.theguardian.com/media/media-blog/2013/sep/27/dave-stewart-thom-yorke-spotify (reporting that Dave Stewart, songwriter, producer, and performer with the Eurythmics, has gone from being critical of Spotify to embracing it).

[204] *See* Sloan, *supra* note 163 (reporting 44% growth of paid music service subscriptions to 20 million in 2012).

[205] *See* Leigh Beadon, *Dear HBO, Netflix Et Al: Fragmenting Online TV Lets Piracy Keep Its Biggest Advantage*, TECHDIRT (Jan. 16, 2013), http://www.techdirt.com/articles/20130114/18442221671/dear-hbo-disney-netflix-et-al-fragmenting-online-tv-lets-piracy-keep-its-biggest-advantage.shtml; Mike Masnick, *Warner Bros., MGM, Universal Collectively Pull Nearly 2,000 Films from Netflix to Further Fragment the Online Movie Marketplace*, TECHDIRT (May 2, 2013), http://www.techdirt.com/articles/20130430/22361622903/warner-bros-mgm-universal-collectively-pull-nearly-2000-films-net-flix-to-further-fragment-online-movie-market.shtml.

[206] *See* Ernesto, *Top 10 Most Pirated TV-Shows of the Season*, TORRENTFREAK (Jun. 22, 2013), http://torrentfreak.com/top-10-most-pirated-tv-shows-of-

duces the show, celebrates this distinction by suggesting that it is "better than an Emmy."[207] Such cynicism by an industry leader, however, overlooks the challenges faced by independent filmmakers that don't have the wherewithal of a major studio. It also reinforces the legitimacy of unauthorized access and erodes the copyright foundation supporting the full range of professional creators.[208] A better long-term solution should welcome consumers to more convenient authorized channels,[209] something HBO and Showtime have been unwilling to do.

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Advances in digital technology have altered the content governance ecosystem irreversibly. Unlike the ecosystem in which "My Generation" came of age, consumers now play an active role in the functioning of the copyright system. If they do not like the way content industries distribute music or film, a large and growing swath of netizens can obtain those products through unauthorized channels. Neither efforts to shut down services capable of non-infringing use nor carpet-bombing of consumers are feasible or desirable. The copyright system cannot rely on a simple deterrence model to achieve compliance. The past decade has demonstrated that Congress cannot put the Internet genie back in the bottle merely through ramping up statutory damages. Content owners need to tap into what fans truly value about their industries — creativity and independence — and the copyright system must afford consumers greater access and freedom of expression. A central goal of copyright reform should be to make the system understandable and acceptable to new age creators and consumers.

ACT III: HOW DO WE IMPROVE COPYRIGHT'S PUBLIC APPROVAL RATING (AND EFFICACY)?

From its inception more than 300 years ago, copyright law has granted reproduction and publication rights to encourage authors and publishers to pursue and disseminate creative expression. In its modern incarnation,

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the-season-130622 (reporting Game of Thrones as the most downloaded TV show on BitTorrent during spring 2013, estimating 5.2 million downloads of Game of Thrones compared with 5.5 million TV viewers).

207 *See* Todd Spangler, *Time Warner's Bewkes: Piracy of HBO "Game of Thrones" Is "Better Than an Emmy"*, VARIETY (Aug. 7, 2013), http://variety.com/2013/digital/news/time-warners-bewkes-piracy-of-hbo-game-of-thrones-is-better-than-an-emmy-1200575271.

208 *See I Tried to Watch Game of Thrones and This Is What Happened*, THE OATMEAL, http://theoatmeal.com/comics/game_of_thrones.

209 *See* Andrew Wallenstein, *Time to Free HBO Go from Its TV Shackles: Enough Stonewalling, HBO – Let Consumers Pay for Broadband-Only Subscriptions Before It's Too Late*, VARIETY (Mar. 29, 2013), http://variety.com/2013/digital/news/time-to-free-hbo-go-from-its-tv-shackles-1200329375.

it promotes free expression by relying upon market competition,[210] as opposed to patronage or government funding, to support the creative arts. Copyright protection resists the suppression of ideas by powerful elites. It promotes free and independent expression and provides a forum for overcoming prejudice and bigotry. It has long supported investigative journalism — the Fourth Estate that provides a vital check on corruption and abuse of power, and promotes democratic values.

If copyright is to continue to serve these vital functions in the Internet Age, it will be because all of the institutions governing its operation — digital technology, markets, political institutions, and especially social norms — work together to support well-functioning markets for creative enterprise as well as breathing room for free expression and nurturing successive generations of creators.

As Act II emphasized, "freeconomics" has emerged as a dominant social norm in the Internet Age. If consumers opt out of legitimate markets, the creative engine will not grind to a halt. But the creative ecosystem will change in undesirable ways — from the loss of independent, professional creators to distortion of the creative process. Advertising will increasingly dominate the creative process, relegating art and consumers to the roles of advertising vehicles and targets. As some have suggested, "if you are not paying, then you are the product."[211] Journalistic independence will give way to overt and covert consumer persuasion.

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[210] Professor James Grimmelman characterizes copyright's ethical default principle in market terminology:

> The basic ethical expectation of copyright is that authors and audiences respect each other and meet in the marketplace. Authors behave well when they create and offer works that enrich the audience's intellectual and cultural lives. Audiences behave well when they offer authors the financial support needed to engage in creative work. The exchange is commercial, voluntary on both sides, reciprocal, and respectful.

James Grimmelmann, *The Ethical Visions of Copyright Law*, 77 FORDHAM L. REV. 2005, 2014 (2009).

[211] *See* Menell, *supra* note 128 <Brand Totalitarianism>; Scott Goodson, *If You're Not Paying for It, You Become the Product*, FORBES (Mar. 5, 2012), http://www.forbes.com/sites/marketshare/2012/03/05/if-youre-not-paying-for-it-you-become-the-product; Olivia Solon, *You Are Facebook's Product, Not Customer*, WIRED.CO.UK (Sept. 21, 2011), http://www.wired.co.uk/news/archive/2011-09/21/doug-rushkoff-hello-etsy; Nathan Newman, *You're Not Google's Customer – You're the Product: Antitrust in a Web 2.0 World*, HUFFINGTON POST (Mar. 29, 2011), http://www.huffingtonpost.com/nathan-newman/youre-not-googles-custome_b_841599.html; THOMAS O'GUINN, CHRIS ALLEN, & RICHARD J. SEMENIK, ADVERTISING AND INTEGRATED BRAND PROMOTION 81-82 (4th ed. 2006); Randal C. Picker, *The Digital Video Recorder: Unbundling Advertising and Content*, 71 U. CHI. L. REV. 205 (2004); Matthew Savare, *Where Madison Avenue Meets Hollywood and Vine: The Business, Legal, and Creative Ramifications of Product Placements*, 11

Copyright's deterrence-based enforcement regime has proven both unworkable and counterproductive in the Internet Age. For those reasons, even the best organized and most powerful copyright owners have largely abandoned the use of enforcement against end users. Many of those who continue to wield the statutory damage cudgel are widely viewed as opportunists looking for undeserved windfalls. As a result, the statutory damages regime is bringing down the very system it was intended to support. Opportunistic enforcement has distorted the interpretation of copyright law.[212] Rather than enhancing copyright protection, the enforcement tools developed for the analog era are increasingly sullying copyright law's public approval without deterring unauthorized distribution.

Furthermore, popular forms of art — such as music mash-ups — significantly operate outside of copyright markets.[213] New generations of creators and consumers see the copyright system as a relic or worse, the problem. In the current content governance ecosystem, a recording artist is likely to covet a Pepsi endorsement deal more than a recording contract.[214]

UCLA ENT. L. REV. 331, 333-34 (2004); SCOTT DONATON, MADISON & VINE (2004).

212 *See* Peter S. Menell, Judicial Regulation of Digital Copyright Windfalls: Making Interpretive and Policy Sense of *Viacom v. YouTube* and *UMG Recordings v. Shelter Capital Partners* (May 1, 2012), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2049445; Shyamkrishna Balganesh, *Foreseeability and Copyright Incentives*, 122 HARV. L. REV. 1569 (2009).

213 KEMBREW MCLEOD & PETER DICOLA, CREATIVE LICENSE: THE LAW AND CULTURE OF DIGITAL SAMPLING 196-201(2011).

214 *See* Ben Sisario, *In Beyoncé Deal, Pepsi Focuses on Collaboration*, N.Y. TIMES, Dec. 9, 2012, at B4 (reporting that "[o]ver the last decade many consumer brands have been taking more active roles with artists, particularly in pop music"; PepsiCo "has embarked on a hybrid project with Beyoncé that will include standard advertising like commercials as well as a multimillion-dollar fund to support the singer's chosen creative projects" estimated at $50 million). Sisario writes that although bands "always risk fan disapproval when shaking hands with big corporations[,] with record company budgets diminished, Madison Avenue money is often seen as essential." He quotes a top marketing executive at PepsiCo: "We recognize that there have been massive disruptions in music industry: lower investment in artist development, fewer points of distribution, financial constraints. We look at those disruptions as opportunities for Pepsi." *See id.*; *see also* Kia Makarechi, *Jay-Z, Samsung Reportedly Eying $20 Million Deal*, HUFFINGTON POST (Jun. 4, 2013), http://www.huffingtonpost.com/2013/06/04/jay-z-samsung-deal-20-million_n_3383317.html (stating that "[m]onths after Beyonce inked a $50 million, multi-faceted deal with Pepsi, Jay-Z and Samsung are said to be locking in a $20 million package that would see the rapper collaborating on multiple projects with the tech giant")

It should be noted that Pepsi's deal is not confined to "superstar" artists. Pepsi "will also play a role in selecting local talent as opening acts at various

The continued vitality of the copyright system depends not on aggressive and uncritical enforcement against Internet users or the wielding of statutory damages to derive windfalls from file-sharers or technology companies but on promoting fairly priced, flexible, on-demand, user-friendly services and encouraging platform and device entrepreneurs to develop symbiotic technological advances, such as iTunes, YouTube (with ContentID), Facebook, Spotify, Dropbox, Netflix, Twitter, Hulu, and Pinterest. It is unrealistic to expect overworked federal courts to manage millions of copyright lawsuits or for the government — legislators, regulators, or courts — to restrain innovative communication technologies.

These lessons emphasize the importance of remaking copyright law to appeal to the post-Napster generations as well as to digital entrepreneurs that seek balanced ecosystems for technological innovation and the creative arts. This refocusing ought not to be seen as capitulation but rather the natural evolution of copyright protection. Consumers ultimately care about the quality and convenience of creative works. And technology entrepreneurs seek to offer superior services, which increasingly involve having content strategies that align with content creators. Apple, Sony, Netflix, Google, Amazon, Time-Warner, and Comcast increasingly span the content-technology divide, creating the opportunity for greater symbiosis. Copyright law must continually be re-equilibrated to strive for balance within the digital ecosystem.

This final Act offers a multi-institutional agenda aimed at restoring copyright law's public acceptance. Such a realignment holds the promise of gaining the post-Napster generations' participation in content markets that are competitive, fair (to creators and consumers), and user-friendly. Section A sketches out a broad set of legislative proposals to modernize copyright law. Section B examines market reforms, emphasizing a grand experiment addressing the dual vise plaguing the music marketplace.

Such reforms need to be complementary. Copyright enforcement alone cannot restore copyright's public acceptance or efficacy. Rather, it must complement market shifts that encourage consumers to join user-friendly services. Each consumer that participates in a music and video service is one fewer enforcement problem, thereby effectuating copy-

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points around the world" to better reach "savvy young consumers." *See* Sisario, *supra*. Pepsi's market executive expressed confidence "that its music projects, like 'Tonight Is the Night' by the little-known rapper and singer Outasight — which sold 1.1 million copies after a push in 2010, when the song was featured in a commercial and Outasight appeared on the Pepsi-sponsored show 'The X Factor' — bring a return on investment. 'We believe all that transfers into brand equity for Pepsi, and, ultimately, sales.'" *See id.*

right's creativity-promoting mechanism, reducing enforcement costs, and obviating divisive legislative initiatives.

A. Legislative Agenda

The public interacts with the copyright system in two principal ways —through their enjoyment of copyrighted works and their use of copyrighted works as inputs in creative, research, and personal activities. The first mode implicates enforcement. The second implicates the scope of copyright protection.

1. Dual Enforcement Regime

Content industries have tended to see copyright enforcement along one dimension: stronger sanctions translate into stronger enforcement. This follows a standard theoretical economic model of law enforcement.[215] The past fifteen years provided a stress test of this theory. The theory did not hold up well.

As Act I chronicled, this deterrent regime was rarely put to much of a test during the Analog Age because the media on which copyrighted works were instantiated — paper, canvas, vinyl, and celluloid — were inherently difficult and costly to reproduce and the content industries could control access — through theatrical turnstiles and broadcasting. The primary area of copyright enforcement concerned public performance of musical compositions by commercial establishments — bars, restaurants, clubs, hotels, and radio stations. The statutory damages cudgel worked relatively well in persuading these small and medium-sized businesses to take blanket licenses from ASCAP and BMI.

By the turn of the century, the Internet empowered anyone to access and distribute just about any copyrighted work at the touch of a computer device. The recording industry hoped that the statutory damages cudgel could discourage online service providers and end users from acting upon that temptation. But as charismatic technologies like Napster and YouTube emerged, the pent-up consumer demand for unrestricted access to copyrighted works proved torrential — literally and figuratively.

Even putting aside the challenge of competing with free, the delay in getting user-friendly, authorized services of the breadth available through unauthorized channels up and running led many consumers to file-sharing. Suing consumers proved unworkable and unpopular. Courts were disinclined to open the floodgates to disproportionate sanctions — whether against file-sharers or the developers of new services that arguably fell

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215 *See* William M. Landes & Richard A. Posner, *The Private Enforcement of Law*, 4 J. LEGAL STUD. 1 (1975); Gary S. Becker, *Crime and Punishment: An Economic Approach*, 76 J. POL. ECON. 169 (1968).

within the Sony or DMCA OSP safe harbors. Efforts to push courts toward undeserved windfalls led to broad interpretation of the safe harbors. The past fifteen years has demonstrated that the deterrence enforcement model on which the 1976 Copyright Act is based does not function as intended in the Internet Age.

The solution lies not in further ramping up sanctions but in a more variegated enforcement regime that distinguishes between different classes of actors in the content marketplace and uses nudges and carrots as well as the occasional stick. Copyright enforcement should encourage consumers to participate in a growing competitive marketplace for content, cumulative creators to pursue original and transformative projects, and innovators to develop balanced, symbiotic technologies. It should not be seen as an enforcement lottery — threatening crushing liability against file-sharers, experimental artists, and technology entrepreneurs.

It is useful to distinguish between two classes of enforcement targets: (1) non-commercial, small-scale infringers such as individual file-sharers and cumulative creators; and (2) commercial and larger-scale individuals and enterprises such as platform developers who facilitate widespread copyright infringement.

a) Non-Commercial/Small-Scale Infringers

We have gone through several phases in the fifteen years since Napster's emergence.[216] In the initial period, consumers faced a choice — obtain copyrighted works through authorized markets (with few authorized and limited online options available) or partake in the unlimited, free unauthorized online file-sharing networks. As iTunes and other services emerged, an authorized digital marketplace developed, although file-sharing remained strong. Beginning in 2003, the recording industry engaged in an aggressive public campaign against file-sharers resulting in significant costs and public backlash. In late 2008, the industry pulled the plug on this effort and gradually expanded the range of authorized channels and eased the restrictions on consumer freedom. This was spurred in part by technological advances (better devices and software) and improvements in broadband access. At this point, the major content industries have abandoned aggressive direct enforcement against file-sharers and have emphasized ways of channeling consumers into a growing range of authorized channels.

Nonetheless, a fringe contingent of content owners and entrepreneurial lawyers continue to pursue disproportionate remedies against file-sharers in the hopes of getting rich. These opportunistic "troll" schemes undermine the copyright system's legitimacy in the eyes of

216 *See supra*, Section I(D).

the courts and the public without supporting the creation of new expressive works.

The high fine/low enforcement cost deterrence model is poorly attuned to the challenges of the Internet Age. While this model may have functioned effectively in motivating restaurants, bars, and nightclubs to take ASCAP and BMI blanket licenses, it fails in channeling Internet Age consumers into content markets. The use of disproportionate cudgels breeds resentment, which is particularly dangerous in a technological era in which unauthorized access is a viable alternative and the use of such cudgels is costly and prone to numerous judicial impediments. Copyright law can better encourage a norm of participation in a robust marketplace through nudges as opposed to cudgels. Copyright law should address garden variety file-sharing not through costly and complex federal court proceedings but instead through streamlined, higher detection probability, low-fine means — more in the nature of parking tickets, with inducements and nudges to steer consumers into better (e.g., subscription) parking plans.

The hope for such an approach is not to support an army of digital meter maids but rather to shift consumers into a growing array of competitively priced parking plans. We have an interesting window into how consumers might feel about this approach. In 2011, DigitalRights Corp. (DRC) instituted an online enforcement campaign on behalf of copyright owners offering file-sharers the opportunity to settle a copyright infringement allegation for $10 per infraction.[217] Their approach diverged from prior initiatives[218] in that the DRC notices emphasize the availability of a settlement amount that is "reasonable for both you and the copyright holder"[219] rather than crushing liability. DRC is able to communicate this message at relatively low cost. Rather than filing an action against the ISP

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217 *See* Jeff John Roberts, *$10 Settlement Offers: The Entertainment Industry's New Copyright Tactic*, PAIDCONTENT (Sep. 23, 2011), http://paidcontent.org/2011/09/23/419-10-settlement-offers-the-entertainment-industrys-new-copyright-tactic (noting that some copyright owners authorized DRC to apply an "amnesty scale" or quantity discount with lower settlement levels for multiple infringements). DRC has since raised the settlement price to $20 per infringement. *See Sample Settlement Agreements*, DIGITALRIGHTS, http://digitalrightscorp.com/joomla/index.php?option=com_content&view=article&id=71&Itemid=278.

218 *See* Ernesto, *Automated Legal Threats Turn Piracy Into Profit*, TORRENTFREAK (Jun. 28, 2009), http://torrentfreak.com/automated-legal-threats-turn-piracy-into-profit-090628; Ernesto, *GetAmnesty.com: MPAA Extortion at its Finest*, TORRENTFREAK (Aug. 27, 2007), http://torrentfreak.com/getamnestycom-mpaa-extortion-at-its-finest

219 *See* Enigmax, *"$10 Music Piracy Fine: A Fair Deal or Just Another Cheap Trick?*, TORRENTFREAK (Sep. 24, 2011), http://torrentfreak.com/10-music-piracy-fine-a-fair-deal-or-just-another-cheap-trick-110924.

hosting the copyrighted work without authorization, it merely sends a DMCA takedown notice, which the ISP is obliged to pass on to its customer. The notice contains a link to DRC's website, which generates the settlement offer. There is no direct compulsion, but rather an opportunity for the file-sharer to settle this matter inexpensively and quickly.

A critical question is whether this approach is likely to breed further resentment against copyright owners. A day after news of this approach broke, the blog TorrentFreak — not considered one of the more copyright-friendly online communities — ran an entry entitled $10 Music Piracy Fine: A Fair Deal Or Just Another Cheap Trick? about the DRC.[220] The story began by presenting DRC's approach in a forthright manner, but went on to chastise DRC for using "the same old anti-piracy scare tactics": noting the Copyright Act's potentially large statutory damage limit; implying that failure to settle may affect the file-sharer's Internet service; and emphasizing that DRC's clients include many deceased song writers and recording artists.

Not surprisingly given the TorrentFreak audience and the tone of the latter part of the piece, many commenters took potshots at copyright enforcers and the copyright system. But there was some more reflective and balanced threaded discussion indicating that this direction for copyright enforcement was more acceptable than prior enforcement approaches. Eddy wrote:

> Before reading this I thought it seemed a good idea, the reality is a bit different but the initial idea would seem to make economic sense to all concerned.
>
> Let me say that first I am not just a file sharer but also own a small torrent site, so you know where I am coming from and not a copyright troll.
>
> If we take this idea as genuine [which this particular one isn't] it could be the answer to the sharing problem.
>
> Let's stop bullshitting each other, we all know we shouldn't be getting things for free, but we do, cause we can. We also all know, despite what we all keep sayiing, that the vast majority of IP's collected ARE genuine. So lets take that on board and pretent for a minute that they are all genuine . . . for the sake of this argument.
>
> I download a movie and get caught, I have downloaded thousands but they got me this time. . .they send me a letter informing me that I have broken the law [debatable] and to clear this up quickly I should pay for the file i got [film, music whatever], not stupid greedy money, just the RRP[221] price of the product I downloaded. £10.00 for a dvd. Use the email as a legal agreement, [they agree not to persue if I pay, they drop the case and no furthur action is taken].

220 *See id.*

221 RRP is an acronym for "Recommended Retail Price."

> I get a film for the RRP, they get the money for the film [like they wanted in the first place] and I use a proxy in future.
>
> I like to think that filesharers are fair minded people, if these guys meet us half way when they catch us, instead of trying to rape us financially, maybe everything could work out for both sides.
>
> I know I am just speculating cause at the end of the day these guys arent really interested in stopping piracy, its all about the dollars . . . gimme gimme gimme.

Henrik Eriksson opined:

> Personally I think this is a fair deal. A scam, sure, but still a fair deal.
>
> They caught you in the act. You pay, skip 1 or 2 beer[s] in the weekend, and that's it. You have paid for what you downloaded, they got their money, a reasonable amount, and everyones happy.
>
> My major beef with the industry is that they fight the technology, and force you to the brink of ruin so you have to beg for money on the street when they catch you. With this they can still get the money, and we can download without fearing being the bum down the street.
>
> Sure, the actual evidence collection might improve quite a bit, but this is a totally acceptable common grounds until they do I believe.

Randy_Lahey writes:

> I'd pay a $10 fine if caught on the torrents, and I'd be willing to wager that most people would too. Imagine how much money they would make if the penalty was more realistic? It's not like the content creators are going to see any of it anyway, whether its $10 or $10,000.

These comments reveal a greater openness among a skeptical constituency toward copyright enforcement as well as concerns about fairness to artists.

As the major copyright industries have come to realize, the high fine/low administrative cost model does not achieve copyright compliance. Furthermore, it undermines the system's legitimacy. It makes sense to shift copyright protection to a low fine/streamlined enforcement system. The larger goal would be to channel consumers into content markets. More moderate remedies in conjunction with streamlined enforcement is more likely than expensive judicial enforcement to achieve copyright law's goals.

(1) Re-calibrating Statutory Damages

For these reasons, I would like to see statutory damage remedies substantially curtailed for non-commercial, small-scale infringers such as filesharers and cumulative creators. Caps on statutory damages ought to be in a range to enable enforcement against recalcitrant offenders, but far below the $150,000 per work upper bound for willful infringement currently in the statute. In addition, the range ought to reflect the quantity of works being infringed, bearing in mind that the goal of the law is to chan-

nel infringers into authorized market channels and not to generate windfalls.[222] Congress can ensure more consistent and predictable remedies by establishing file-sharing remedy guidelines (or delegating authority to establish such guidelines to an appropriate body). This would also have the advantage of removing the uncertainty created by the Supreme Court's Feltner decision.[223]

In conjunction with these changes, Congress should substantially reduce the impediments to and costs of enforcing copyright protection in garden-variety file-sharing cases. The following changes would make it easier for copyright owners to detect and resolve file-sharing infringement claims: (1) expansion of the § 512(h) subpoena power to reach peer-to-peer and related technologies; (2) clarification of the scope of protection; (3) encouraging responsibility for web access points; and (4) institution of a streamlined small claims processing institution for handling file-sharing matters.

(2) Expanded Subpoena Power for Detecting File-Sharers

When Congress passed the DMCA in 1998, it included a provision (§ 512(h)) enabling copyright owners to determine the identity of a person storing copyrighted works on an Internet server directly from the online service provider without the need to file a court action.[224] This streamlined procedure was intended to afford copyright owners a rapid, low cost tool to police the Internet. At that time, the Internet functioned predominantly as a server-client system in which computer clients accessed website-hosted content.[225]

The next year, Napster's peer-to-peer architecture enabled any client computer to function as a searchable and accessible website. As a result, the accessible domain of the Internet expanded beyond conventional servers to the memory devices of all computers connected to the Internet through peer-to-peer software. Napster's particular technology enabled

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222 *Cf.* Balganesh, *supra* note 212, at 1633 (arguing that copyright law ought not reward copyright owners with windfalls from unforeseeable uses of their works).

223 *See* Feltner v. Columbia Pictures Television, Inc., 523 U.S. 340 (1998); *supra* text accompanying notes 42-44.

224 *See* 17 U.S.C. §512(h) (2012).

225 *See* Recording Indu. Ass'n of Am., Inc. v. Verizon Internet Servs., Inc., 351 F.3d 1229, 1238 (D.C. Cir. 2003) (observing that "the legislative history of the DMCA betrays no awareness whatsoever that internet users might be able directly to exchange files containing copyrighted works. That is not surprising; P2P software was 'not even a glimmer in anyone's eye when the DMCA was enacted.'" (quoting *In re* Verizon Internet Servs., Inc., 240 F. Supp. 2d 24, 38 (D.D.C. 2003)).

searches for music files encoded in the .mp3 format. The next wave of peer-to-peer networks included many more file formats.

When copyright owners sought to invoke § 512(h) in pursuit of file-sharers using peer-to-peer technology, the D.C. Circuit found that the text of the statute did not allow this provision to be stretched beyond identifying those storing copyrighted materials on the online service providers' servers.[226] The court was equally clear, however, that "Congress had no reason to foresee the application of § 512(h) to P2P file sharing, nor did they draft the DMCA broadly enough to reach the new technology when it came along. Had Congress been aware of P2P technology, or anticipated its development, § 512(h) might have been drafted to reach such addressable corners of the Internet."[227] The court concluded by noting that it was:

> not unsympathetic either to the RIAA's concern regarding the widespread infringement of its members' copyrights, or to the need for legal tools to protect those rights. It is not the province of the courts, however, to rewrite the DMCA in order to make it fit a new and unforeseen internet architecture, no matter how damaging that development has been to the music industry or threatens being to the motion picture and software industries. The plight of copyright holders must be addressed in the first instance by the Congress . . . .[228]

In moving copyright's file-sharing enforcement regime toward a low fine/low cost enforcement model, Congress should remove needless costs in identifying unauthorized file-sharing. As with § 512(h), this expanded subpoena power should include safeguards to prevent abuse.[229]

(3) Confirming the Making Available Right

If the copyright protection is to work effectively with much more modest remedies, then copyright owners and the judiciary system should not devote undue resources to adjudicating garden-variety disputes. As litigation against file-sharers unfolded a decade ago, defendants latched upon a questionable means of raising copyright owners costs — by con-

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226 *See id.* at 1234-37 (finding that the "text of § 512(h) and the overall structure of § 512 clearly establish . . . that § 512(h) does not authorize the issuance of a subpoena to an ISP acting as a mere conduit for the transmission of information sent by others").

227 *See id.* at 1238.

228 *See id.*

229 *See* 17 U.S.C. § 512(f) (2012) (imposing liability upon "any person who knowingly materially misrepresents . . . that material or activity is infringing"); § 512(h)(2)(C) (requiring a "sworn declaration to the effect that the purpose for which the subpoena is sought is to obtain the identity of an alleged infringer and that such information will only be used for the purpose of protecting rights under this title").

tending that copyright owners had to prove not only that defendants had made copyrighted works available to others through file-sharing networks but also that other netizens had actually downloaded the files. This argument in no way justified the act of placing the latest release by a recording artist in a share folder that was accessible to millions. Yet it offered the strategic advantage of raising discovery costs. Ironically, tracing the distribution of files on the Internet would have posed a substantial threat to privacy interests.

As I have explored elsewhere at length,[230] this contention rests on a misunderstanding of Congress's intention in replacing copyright law's historic "publication" right with the "distribution" right in the 1976 Act. The legislative history of the 1976 Act revealed that Congress intended to broaden the historic rights to "publish" in crafting the right to distribute. The reason is subtle but completely understandable in historical context: Under the 1909 Act regime, "publication" served two principal purposes — as a foundational exclusive right and the trigger for federal protection (and loss of common law protection).[231] In order to avoid the potentially harsh effects of publication without proper copyright notice (loss of common law protection and forfeiture of federal statutory protection), courts evolved a confusing and roundly criticized set of doctrines distinguishing of investive and divestive publication. Congress chose the term "distribute" merely to avoid that confusion and expressed unequivocally its intention to retain and broaden the prior rights to publish and vend. Furthermore, Congress intended the distribution right to parallel the statutory definition of "publication."[232]

The text and legislative history surrounding the Sound Recording Amendments Act of 1971 show that Congress intended to incorporate a "making available" right in U.S. copyright law for the purpose of deterring record piracy — a purpose which was broadened in the 1976 Act to reach all forms of unauthorized distribution.[233] The legislative history of the 1976 Act also reveals that Congress drafted the exclusive rights broadly so as to avoid their erosion as a result of unforeseen technological changes.[234]

Thus, faithful interpretation of the distribution right would enable a copyright owner to prove infringement merely by showing that a copyrighted work has been placed in a publicly accessible share folder without authorization. Nonetheless, the wording of the statute is open to the inter-

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230 *See* Peter S. Menell, *In Search of Copyright's Lost Ark: Interpreting the Right to Distribute in the Internet Age*, 59 J. COPYRIGHT SOC'Y 1 (2011).

231 *See id.* at 37- 38.

232 *See id.* at 41-42, 44-46.

233 *See id.* at 50-51.

234 *See id.* at 43-44.

pretation that the distribution right requires proof of actual receipt of an unauthorized copy.[235] Although such proof could be established circumstantially,[236] the need to put on such a case needlessly inflates the costs of copyright enforcement.

I struggle to understand why copyright law would put owners to such a costly and invasive requirement in garden-variety file-sharing cases. I am not aware of any valid reason for a person to place the entirety of a recently released sound recording, motion picture, or book in a share folder available to a large audience without authorization. As best I can understand, the best argument for requiring proof of actual receipt of shared works is as a response to the threat of excessive punishment for file-sharing under present law. I share that concern, but not the indirect means of addressing it, which is why I advocate substantially reducing the statutory damages range as applied to non-commercial, small-scale infringement activity. With this adjustment, Congress establishes in the clearest possible terms that making copyrighted works available through file-sharing networks violates the Copyright Act, subject, of course, to limiting doctrines, defenses, exemptions, and other limitations. So doing would streamline the procedures for adjudicating file-sharing cases. Copyright owners would be eligible for summary judgment of liability by establishing ownership of the copyrighted work and that the work was made available through a share folder associated with the defendant. Damages

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235 Section 106 reads:

> 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: * * *
>
> (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; * * *

17 U.S.C. § 106 (2012). The plain meaning of "distribute" arguably entails receipt by a third person, but there is good reason to interpret the term in a more copyright-oriented manner. Webster's dictionary refers to "spread[ing] out or scatter[ing]" as in "distributing magazines to subscribers" and "market[ing] (a commodity)." *See* WEBSTER'S THIRD NEW INTERNATIONAL DICTIONARY OF THE ENGLISH LANGUAGE, UNABRIDGED 660 (Philip Babcock Gove ed., 1961, 1993). The means clause of § 106(3) — "by sale or other transfer of ownership, or by rental, lease, or lending" — is also subject to a range of interpretations. *See* Menell, *supra* note 230, at 55. There seems ample justification to test these ideas against the 1976 Act's legislative history, which strongly supports a "making available" interpretation.

236 *See* David O. Carson, *Making the Making Available Right Available*, 33 COLUM. J.L. & ARTS 135, 155 (2010); Robert Kasunic, *Making Circumstantial Proof of Distribution Available*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1145 (2008).

could also be resolved without trial (assuming no other defense) if the copyright owner stipulated to the low end of the statutory damage range.

(4) Encouraging Responsibility for Web Access Points

One line of defense in file-sharing litigation is that an individual other than the person who controls a wireless network is responsible for the unauthorized activity. This could happen, for example, if a network is unsecured or if someone hacked it. These factual questions can be complicated, greatly adding to the costs of enforcement.

Part of the problem lies in the lack of accountability norms relating to Internet ports. There could be value in developing standards for ensuring that those who operate hubs take responsibility to ensure that they are not misused. This could come in the form of service requirements, security protocols, and liability for misuse of the network. For example, the Copyright Act could subject wireless network operators (including households with wireless Internet access) to bear capped strict liability (e.g., up to $500) for unauthorized file-sharing that occurs through their hub.

(5) A Small Claims Processing Institution for File-Sharing Infringements

As currently configured, copyright enforcement entails federal court civil litigation — a costly, time-consuming process.[237] Simply filing a civil complaint costs $400. While the federal civil enforcement system might have made sense to protect the interests involved in copyright cases that, in theory, could result in damages in the tens of thousands of dollars per copyrighted work infringed, this gold-plated adjudication institution is not well-suited to a "parking ticket" regime for file-sharing enforcement. With the damage range reduced substantially, an alternative regime — involving online claims processing — could more appropriately achieve efficient and fair enforcement.[238]

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It is important to bear in mind that the streamlined enforcement regime outlined above is intended as a complement to, rather than a substitute for, well-functioning content markets. It would serve as a better calibrated judicial backstop for addressing file-sharing infringements. In

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[237] *See* U.S. COPYRIGHT OFFICE, COPYRIGHT SMALL CLAIMS: A REPORT OF THE REGISTER OF COPYRIGHTS 1-2 (Sept. 2013), *available at* http://www.copyright.gov/docs/smallclaims/usco-smallcopyrightclaims.pdf.

[238] The Copyright Office has recently proposed the establishment of a general, consensual, streamlined small claims process. *See* U.S. COPYRIGHT OFFICE, *supra* note 237. I am envisioning a more focused process aimed specifically at file-sharing violations.

contrast to the present system, this new regime would not threaten crushing liability or produce windfalls. Rather it would be calibrated to impose just enough cost upon file-sharers to encourage participation in what is hoped will be a growing competitive marketplace for content. It will be important for content companies to use carrots rather than sticks to entice consumers into that marketplace. The re-calibrated copyright enforcement system would replace menacing, unwieldy cudgels with mildly irritating twigs. Such a "parking ticket" approach to non-commercial, small-scale copyright infringements would better promote public understanding and acceptance of copyright protection as a balanced regime.

b) Commercial/Large-Scale Infringers

Although the 1976 Act enforcement regime did focus on commercial infringement issues, technological advances have rendered much of its approach obsolete. The predominant issue is no longer public performances of musical compositions in restaurants and bars but rather all manner of Internet businesses that profit directly and indirectly from unauthorized distribution of copyrighted works. Various legislative updates — including the NET Act and the DMCA — have augmented the 1976 Act enforcement regime, but have not achieved the effectiveness and balance sought.

As illustrated by the rapid emergence of file-sharing, user-generated websites, and cyberlockers, digital enforcement challenges develop quickly and affect the broad spectrum of copyrighted works. Three problems have plagued the enforcement regime: (1) the challenges of addressing broad scale, on-line, cross-border infringement; (2) the difficulty of interpreting and applying the DMCA's safe harbor provisions; and (3) the astronomical threat of liability posed by copyright law's statutory damage provisions. These problems result in massive under and over enforcement. At one extreme, a vast array of copyright owners can find themselves facing rampant piracy through cross-border websites such as MegaUpload. At the other, exciting online services — such as YouTube — can face billion dollar liability claims without evidence of harm to copyright owners.

These problems reflect the challenges of regulating activity on a borderless frontier and imprecision of an enforcement regime developed for a simpler bygone technological era. The cross-border enforcement problem goes beyond private enforcement tools. The interplay of ambiguous statutory provisions and untethered statutory damages creates the potential for opportunistic windfalls which produce Dickensian litigation.

Unfortunately, there are no simple solutions to these problems. The Internet's extraordinary capacity to enable people throughout the world to communicate freely and broadly as well as its rapid technological advance caution against the use of blunt tools to regulate online activities. Yet failure to act quickly to staunch unauthorized distribution of valuable, crea-

tive works undermines the markets for valuable, costly projects. Unless society is to abandon copyright as a driver of expressive creativity, there must be effective and balanced tools for protecting copyrighted works in the promiscuous, dynamic, and significantly anonymous Internet ecosystem.

I offer three approaches for improving copyright enforcement against large-scale, commercial enterprises: (1) re-calibrating statutory damages to avoid windfall opportunism; (2) developing a balanced public enforcement regime for dealing with broad-scale infringing activities; and (3) introducing whistleblower bounties to elicit evidence of illegal activity.

(1) Re-calibrating Statutory Damages

Even if the high fine/low administrative cost deterrence has not operated as economic theorists predicted to rein in consumer file-sharing, it might nonetheless work in dealing with larger-scale, commercial infringers. The experience of the past decade, however, suggests otherwise. Copyright law does not draw a clear dividing line between legal and illegal activities, especially in the context of innovative distribution platforms. The DMCA insulates a broad range of online services from copyright liability.[239] The contours of these exemptions, however, are notably opaque, resulting in the potential for astronomical damage requests if a service falls outside of DMCA's safe harbor. Content owners have seized on this exposure as a way to discourage innovative technologies and to reap windfalls. Such efforts to impose crushing liability on innovative distribution platforms have fed public perceptions that copyright law is extortionate and wasteful.[240] As in file-sharing cases against individuals, disproportionate damage requests in cases against large, commercial enterprises have backfired and undermined the public's and judiciary's perception of the copyright system. Re-calibrating the statutory damages regime for the Internet Age is critical to restoring support for copyright protection.

The disproportionate awards sought in several high profile cases appear to have led courts to interpret the DMCA's safe harbors expansively

239 *See* 17 U.S.C. § 512 (2012).

240 *See* Liz Shannon Miller, *Google's Viacom Suit Legal Fees: $100 Million*, GIGAON (Jul. 15, 2010), http://gigaom.com/2010/07/15/googles-viacom-suit-legal-fees-100-million (reporting that Google's legal fees reached $100 million or more as of three years ago); *Viacom's Expensive Suit*, FORBES (Mar. 8, 2007), http://www.forbes.com/2007/03/27/youtube-viacom-google-tech-cx_ll_0328google.html (reporting that Viacom's $1 billion lawsuit against Google could generate $350 million or more in legal fees).

— arguably beyond what Congress intended.[241] The introduction to the Second Circuit's YouTube opinion offers a telling clue:[242]

> The plaintiffs alleged direct and secondary copyright infringement based on the public performance, display, and reproduction of approximately 79,000 audiovisual 'clips' that appeared on the YouTube website between 2005 and 2008. They demanded, inter alia, statutory damages pursuant to 17 U.S.C. § 504(c) . . . .[243]

Section 504(c) provides for the award of "not less than $750 or more than $30,000" per infringed work and up to $150,000 per work for willful infringement in the court's discretion[244] — creating a liability range from $59 million to nearly $12 billion. Under the Supreme Court's decision in Feltner v. Columbia Pictures Television, Inc.,[245] the determination of statutory damages is a question for a jury. The Ninth Circuit's decisions in UMG Recordings v. Shelter Capital Partners[246] also lean toward an expansive view of the DMCA safe harbors.[247]

And even though the court in record companies' enforcement action against LimeWire granted summary judgment on liability,[248] Judge Wood characterized the plaintiffs' damages theory that could "reach into the trillions" — "more money than the entire music recording industry has made since Edison's invention of the phonograph in 1877" — as "absurd."[249] The resulting media coverage fanned the flames of rapacious copyright owner greed.[250]

If those who develop technology that can be used to infringe copyrights are exposed to potentially crushing liability — as befell Napster, MP3.com, ReplayTV, Grokster, and LimeWire — it seems reasonable to surmise that digital technology innovators would invest their resources

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241 *See* Menell, *supra* note 113.

242 *See* 17 U.S.C. §512(c) (2012).

243 Viacom Int'l, Inc. v. YouTube, Inc., 676 F.3d 19, 26 (2d Cir. 2012).

244 *See* 17 U.S.C. § 504(c) (2012).

245 523 U.S. 340 (1998).

246 *See* UMG Recordings, Inc. v. Shelter Capital Partners LLC, 718 F.3d 1006 (9th Cir. 2013); UMG Recordings, Inc. v. Shelter Capital Partners LLC, 667 F.3d 1022 (9th Cir. 2011).

247 *See* Menell, *supra* note 113.

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

249 *See* Arista Records, LLC v. Lime Group, LLC, 784 F. Supp. 2d 313, 317 (S.D.N.Y. 2011).

250 *See* Jaikumar Vijayan, *RIAA Request for Trillions in LimeWire Copyright Case Is "Absurd," Judge Says*, COMPUTERWORLD (Mar. 25, 2011), http://www.computerworld.com/s/article/9215074/RIAA_request_for_trillions_in_LimeWire_copyright_case_is_absurd_judge_says.

and energies elsewhere.[251] Yet there has been no shortage of tantalizing new digital technologies — from the iPod to image search engines, YouTube, Facebook, Google's Book Search, BitTorrent, iPhone, iPad, Kindle, and Twitter — that could be (and have been) portrayed as facilitating copyright infringement. The relatively modest capital requirements associated with innovation in digital distribution technologies, research and social norms, risk and liability-insulating institutions, and the importance of technological advance in fields unaffected by copyright liability dampen the chilling effects of disproportionate copyright liability.[252]

Nonetheless, these countervailing forces in no way justify disproportionate damages. Absent serious under-detection or under-enforcement of copyright infringement,[253] copyright damages should be calibrated to actual harm. The technologies exerting the largest effects on copyright owners can often be identified with relative ease. Copyright owners can and do use the same techniques as consumers to find unauthorized copies of their works. Where those alleged infringers can be haled into U.S. courts, it is difficult to see the need for disproportionate damage remedies; and certainly not of the unprecedented scale being sought in the Internet Age. Statutory damages might still be useful as a means for reducing the costs of proving actual damages. Nonetheless, the levels should be calibrated to approximate actual damages. At a minimum, the statutory damage levels should be scaled to the number of works affected. A copyright statutory damages "sentencing commission"[254] could develop and adapt target ranges for copyright damages. Copyright owners always have the option of proving actual damages.

The YouTube case is instructive. Three young programmers who had experienced success as early employees of PayPal developed the idea for a video-sharing technology in 2005. They were able to attract venture capital, launched a website later that year, and quickly became a household

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251 *See* Michael A. Carrier, *Copyright and Innovation: The Untold Story*, 2012 WIS. L. REV. 891(2012); Robert Hof, *Ten Years of Chilled Innovation*, BUSINESS WEEK (Jun. 29, 2005), http://www.businessweek.com/print/technology/content/jun2005/tc20050629_2929_tc057.htm; Mark A. Lemley & R. Anthony Reese, *Reducing Digital Copyright Infringement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004).

252 *See* Peter S. Menell, *Indirect Copyright Liability and Technological Change*, 32 COLUM. J.L. & ARTS 375 (2009).

253 *See* A. Mitchell Polinsky & Steven Shavell, *Punitive Damages: An Economic Analysis*, 111 HARV. L. REV. 869, 887-96 (1998) (justifying higher damage awards where it is difficult to trace the source of harm-producing activity); *supra* text accompanying notes 42-44 and 80-105.

254 *Cf.* Comprehensive Crime Control Act of 1984, Pub. L. 98–473, 98 Stat. 1976 (establishing the U.S. Sentencing Commission, an independent judicial branch agency responsible for establishing and updating sentencing guidelines for the federal courts).

name. As emails that emerged in subsequent copyright infringement litigation indicated, the founders were a bit loose in their adherence to copyright law. They hoped to attract a lot of eyeballs as well as potential acquirers. They wildly succeeded, posting thousands of user-uploaded videos a day, receiving over 100 million views per day, and obtaining an acquisition by Google for $1.65 billion within a year of launch.

YouTube also attracted copyright infringement lawsuits — filed by Viacom, the English Premier League, and numerous others. The Viacom suit alleged that YouTube hosted more than 150,000 unauthorized clips of its material that had been viewed "an astounding 1.5 billion times."[255] It sought $1 billion in statutory damages.

What was far less clear was the damage caused to Viacom and others. As noted earlier,[256] I was first introduced to the brilliance of Jon Stewart through user uploads on YouTube and soon became a loyal Viacom customer. I regularly view the Daily Show (as well as its spinoff, The Colbert Report), through our cable provider and Viacom's website.

Shortly after the YouTube acquisition, Google developed ContentID, a sophisticated technology for screening unauthorized user-uploaded videos. Viacom has agreed that this technology eliminates infringement problems prospectively but it nonetheless continues to seek a veritable statutory damages lottery jackpot through ongoing litigation. Yet the only winners here appear to be the lawyers — who have earned hundreds of millions of dollars in litigation fees.

As best I can tell, this Dickensian litigation continues to be driven by the windfall possibility created by statutory damages. Even though the Second Circuit has effectively cabined Viacom's potential recovery, Viacom has little choice but to continue the battle or risk facing a massive attorney fee award should it lose the case outright. A better calibrated damages regime would likely have brought this case to a far quicker and less expensive resolution.

Content owners might defend wielding the statutory damages cudgel in cases such as this one on the grounds that only the threat of crushing liability was going to persuade Google to develop and implement ContentID technology. Yet it appears that Google had significant independent motivation to implement this technology; it has proven to be a great means of monetizing advertising in conjunction with and to the benefit of copyright owners (including Viacom). But even if the litigation played a role in Google's wise decision to develop a symbiotic technological plat-

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255 *See* Declan McCullagh, *YouTube's Fate Rests on Decade-old Copyright Law*, C—NET NEWS (Mar. 13. 2007), http://news.cnet.com/YouTubes-fate-rests-on-decade-old-copyright-law/2100-1028_3-6166862.html.

256 *See supra*, text accompanying note 110.

form,[257] it is not at all clear that a rational copyright damages system would not have achieved comparable technological innovation. And it might have done so in a manner that did not distort the DMCA's safe harbor regime, to the broader detriment of content owners.

I am more inclined to the view that this episode illustrates the litigation principle that "pigs get fat, hogs get slaughtered."[258] The theoretical availability of astronomical statutory damages has undermined the balance sought in the DMCA's safe harbor regime. A more rational damages regime could have produced more rational litigation, with parties identifying the gains from compromise. Instead, the potential for vast, undeserved transfers of Internet-generated wealth produced a scorched-earth court battle and deepened distrust between the content and technology sectors. And more to the central theme of this lecture, opportunistic use of statutory damages has undermined public respect for the copyright system.

Thus, a better calibrated statutory damages regime would better serve both content and technology industries, as well as the public-at-large. But such a system can only go so far. Where alleged infringers cannot effectively be hauled into U.S. courts, even the optimal damages regime cannot produce effective copyright enforcement. That brings us to the role for public enforcement.

(2) Instituting Balanced Public Enforcement

The challenges of enforcing copyright protection in a global, borderless Internet Age reached front page news in early 2012 as Congress neared a vote on the Stop Online Piracy Act (SOPA).[259] Working largely behind the scenes and without input from the technology sector or the public, content industries orchestrated potentially draconian legislation aimed at curbing copyright infringement through foreign websites. The proposed legislation authorized the Attorney General to commence in personam and in rem proceedings to block "foreign infringing" websites, including requiring that search engines "take technically feasible and reasonable measures, as expeditiously as possible . . . designed to prevent the foreign infringing site from resolving to that domain name's Internet Pro-

257 *See* Peter S. Menell, *Design for Symbiosis: Promoting More Harmonious Paths for Technological Innovators and Expressive Creators in the Internet Age*, 55 COMM. OF THE ACM, No. 5, 30-32 (May 2012).

258 *See Idiom: Pigs Get Fat, Hogs Get Slaughtered*, USINGENGLISH.COM, http://www.usingenglish.com/reference/idioms/pigs+get+fat,+hogs+get+slaughtered.html (explaining that this idiom is used "to express being satisfied with enough, that being greedy or too ambitious will be your ruin").

259 *See* Stop Online Piracy Act ("SOPA"), H.R. 3261, 112th Cong. (2011); *see also* Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 ("Protect IP Act" or "PIPA"), S. 968, 112 Cong. (2011).

tocol address."[260] The legislation also authorized copyright owners to use a notice process to require that American online service providers block access to foreign infringing websites.[261] SOPA would also have criminalized streaming of copyrighted works.[262] In the days leading up to the congressional vote,[263] a broad range of technology companies, civil libertarians, and legal scholars attacked the bill for suppressing speech, violating due process, undermining the security and stability of the Internet, weakening online service provider safe harbors, and unduly expanding copyright protection.[264] An unprecedented groundswell of online opposition brought the legislation to ignominious defeat.[265]

Even before SOPA gained salience, the U.S. Department of Justice had embarked on a multi-faceted, international enforcement campaign targeting "websites and their operators that distribute counterfeit and pirated items over the Internet, including counterfeit pharmaceuticals and pirated movies, television shows, music, software, electronics and other merchandise, as well as products that threaten public health and safety."[266] "Operation in Our Sites" has resulted in the seizure of over 1,700 website domains.[267] This unprecedented use of public resources to

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260 *See* SOPA, *supra* note 259, § 102. SOPA also authorized the Attorney General to bar payment processors from completing payment transactions to foreign infringing websites and Internet advertising services from advertising on such sites. *See id.*

261 *See id.* § 103. SOPA also authorized copyright owners to bar payment processors from completing payment transactions to foreign infringing websites and Internet advertising services from advertising on such sites. *See id.*; *StopOnline Piracy – Stopping SOPA: A Backlash from the Internet Community Against Attempts to Rein in Content Thieves*, THE ECONOMIST (Jan. 21, 2012) http://www.economist.com/node/21543173.

262 *See* SOPA, *supra* note 259, § 201.

263 *See* Grant Gross, *Lawmakers Seem Intent on Approving SOPA, PIPA*, PCWORLD (Jan. 5, 2012), http://www.pcworld.com/article/247339/lawmakers_seem_intent_on_approving_sopa_pipa.html.

264 *See* Jenna Wortham, *A Political Coming of Age for the Tech Industry*, N.Y.TIMES, Jan. 17, at A1, *available at* http://www.nytimes.com/2012/01/18/technology/web-wide-protest-over-two-antipiracy-bills.html?pagewanted=all.

265 *See* Jonathan Weisman, *After an Online Firestorm, Congress Shelves Antipiracy Bills*, N.Y. TIMES, Jan. 20, 2012, at B6, *available at* http://www.nytimes.com/2012/01/21/technology/senate-postpones-piracy-vote.html?ref=copyrights.

266 *See* Nat'l Intell. Prop. Rts. Coordination Ctr., Operation In Our Sites, *available at* http://www.iprcenter.gov/reports/fact-sheets/operation-in-our-sites/view (last visited Nov. 4, 2013),

267 *See* News Release, U.S. Immigration and Customs Enforcement, Houston HIS Seizes 89 Websites Selling Counterfeit Goods (Dec. 20, 2012), ICE, https://www.ice.gov/news/releases/1212/121220houston.htm (reporting that 1,719 domain names have been seized under Operation In Our Sites since the program began in June 2010).

enforce copyright protection signals a significant shift in the allocation of authority between private and public enforcement.[268]

These developments reflect the inherent difficulties of protecting copyrighted works in a dynamic Internet Age as well as the growing tension between copyright protection and other core values — such as freedom of expression and due process. It is almost laughable to think that the major enforcement concern troubling the 1976 Act drafters was public performances of musical compositions in restaurants, bars, and nightclubs.

The challenge of addressing foreign infringing websites, as well as other Internet Age developments, calls for a broad reassessment of copyright enforcement institutions and approaches. This section first traces copyright law's shift from a purely private enforcement regime to a mixed private and public system. It then suggests ways in which the range and integration of public and private enforcement tools can be improved to better balance copyright protection, First Amendment, and due process concerns.

Throughout most of its history, copyright's enforcement regime has centered on private enforcement. In many contexts, the principal impacts of copyright infringement affected one or a few copyright owners and the law used tort-based remedies as the enforcement driver. Where there were economies of scale and scope in enforcement, as in the case of musical compositions, authors and publishers joined forces to police violations and enforce copyright protection.[269]

That is not to say that copyright law has lacked criminal enforcement provisions. Congress established criminal liability for willful, commercial exploitation of dramatic and musical compositions in 1897 to address the difficulty of enforcement of copyright protection against traveling performers.[270] Congress expanded criminal liability to all willful copyright infringements for profit in the 1909 Act,[271] but criminal copyright prosecutions were only rarely pursued.[272] Congress included criminal penalties in

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[268] *See generally* A. Mitchell Polinsky & Steven Shavell, *The Economic Theory of Public Enforcement of Law*, 38 J. ECON. LIT. 45 (2000) (surveying the law and economics literature on public versus private law enforcement).

[269] *See* Robert P. Merges, *Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293 (1996) (discussing the emergence of ASCAP as a collective enforcement institution).

[270] *See* Act of Jan. 6, 1897, ch. 4, 29 Stat. 481 (classifying such acts misdemeanors punishable by imprisonment of up to one year); I. Trotter Hardy, *Criminal Copyright Infringement*, 11 WM. & MARY BILL RTS. J. 305, 315 (2002).

[271] *See* Copyright Act of 1909, ch. 320, 35 Stat. 1075 (authorizing fines up to $25,000 and imprisonment up to one year).

[272] *See* WILLIAM S. STRAUSS, STUDY NO. 24: REMEDIES OTHER THAN DAMAGES FOR COPYRIGHT INFRINGEMENT 128 (1959).

the Sound Recording Act of 1971,[273] and largely carried the 1909 Act's criminal enforcement provisions to the 1976 Act with increased sanctions.[274]

The advent of the videocassette recorder opened up new avenues for copyright infringement. The motion picture and the recording industries persuaded Congress to pass the Piracy and Counterfeiting Amendments Act of 1982,[275] which increased criminal sanctions. As advances in digital technology in the 1990s greatly expanded the scale, modalities, and complexity of copyright infringement, Congress expanded criminal copyright liability to deal with the threats.[276] At the urging of the computer software industry, Congress passed the Copyright Felony Act of 1992,[277] significantly expanding criminal sanctions for willful infringement of all copyrighted works.[278]

Yet in one of the first criminal Internet copyright infringement cases, United States v. LaMacchia,[279] the government sought to use the wire fraud statute[280] rather than the Copyright Act to pursue the operator of a computer bulletin board service distributing copies of copyrighted software. The reason for this strategy was that the defendant lacked a profit motive.[281] The court characterized David LaMacchia, a twenty-one year old MIT student, as a computer hacker[282] — implying that he was merely following a hacker credo of sharing code.[283] Prior to the Internet,

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273 Pub. L. No. 92-140, 85 Stat. 391.

274 *See* 17 U.S.C. § 506 (2012); United States v. Moran, 757 F. Supp. 1046, 1050 (D. Neb. 1991); Note, *Criminalization of Copyright Infringement in the Digital Era*, 112 HARV. L. REV. 1705, 1708-09 (1999).

275 Pub. L. No. 97-180, 96 Stat. 91 (1982); *see* Mary Jane Saunders, *Criminal Copyright Infringement and the Copyright Felony Act*, 71 DENV. U. L. REV. 671, 687 (1994).

276 *See* Hardy, *supra* note 270, at 317-23.

277 Pub. L. No. 102-561, 106 Stat. 4233.

278 Congress added counterfeiting of copyrighted works a racketeering office under the Racketeer Influenced and Corrupt Organizations (RICO) Act in 1996. *See* Anticounterfeiting Consumer Protection Act of 1996, Pub. L. No. 104-153, 110 Stat. 1386.

279 871 F. Supp. 535 (D. Mass. 1994).

280 *See* 18 U.S.C. § 1343 (2012).

281 The Copyright Act's criminal provisions required proof of "commercial advantage or private financial gain." 17 *id.* § 506(a).

282 *See LaMacchia*, 871 F. Supp. at 536-37 (noting that the defendant was a young MIT student/computer hacker).

283 The "hacker ethic" is "a belief that 'access to computers . . . should be unlimited and total' and 'all information should be free.'" Robert L. Dunne, *Deterring Unauthorized Access to Computers: Controlling Behavior in Cyberspace Through a Contract Law Paradigm*, 35 JURIMETRICS J. 1, 10 (1994) (quoting Dorothy Denning, Concerning Hackers Who Break into Computer Systems, Paper Presented at the 13th National Computer Secur-

such Robin Hood-type activity could not reach a global audience. Judge Stearns sensed that such behavior posed a serious threat to the copyright system.[284]

Nonetheless, the court granted the defendant's motion to dismiss the case,[285] relying on the Supreme Court's decision in Dowling v. United States holding that the wire fraud statute could not be interpreted to encroach on copyright's domain without clear indication that Congress so intended.[286] While praising the government's purpose in prosecuting LaMacchia,[287] Judge Stearns nonetheless noted that the government's interpretation of the wire fraud statute would "criminalize the conduct of not only persons like LaMacchia, but also the myriad of home computer users who succumb to the temptation to copy even a single software program for private use."[288] He invited Congress to address this issue, observing that "[c]riminal as well as civil penalties should probably attach to willful, multiple infringements of copyrighted software even absent a commercial motive on the part of the infringer. One can envision ways that the copyright law could be modified to permit such prosecution. But, '"[i]t

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ity Conference, Washington, D.C. (Oct. 1-4, 1990)); *see also* The Mentor, The Hacker Manifesto (1986), http://www.mithral.com/~beberg/manifesto.html ("This is our world now . . . the world of the electron and the switch . . . . We make use of a service already existing without paying for what could be dirt-cheap if it wasn't run by profiteering gluttons, and you call us criminals. We explore . . . and you call us criminals. . . . Yes, I am a criminal. My crime is that of curiosity. . . . My crime is that of outsmarting you, something that you will never forgive me for. I am a hacker, and this is my manifesto. You may stop this individual, but you can't stop us all . . . ."); *Hacker Manifesto*, WIKIPEDIA, http://en.wikipedia.org/wiki/Hacker_Manifesto (last visited Nov. 4, 2013).

284 *See LaMacchia*, 871 F. Supp. at 545.

285 *See id.* at 537-39.

286 473 U.S. 207 (1985). Justice Blackmun observed that Congress has chosen to tread cautiously in crafting copyright enforcement, relying "chiefly . . . on an array of civil remedies to provide copyright holders protection against infringement" while mandating "studiously graded penalties" only in those instances where Congress has concluded that the deterrent effect of criminal sanctions was required. *See id.* at 221; *LaMacchia*, 871 F. Supp. at 545 (quoting 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT, § 15.05 at 15–20 (1993)).

287 *LaMacchia*, 871 F. Supp. at 844 (noting that "the government's objective is a laudable one"); 845 (commenting that "[i]f the indictment is to be believed, one might at best describe his actions as heedlessly irresponsible, and at worst as nihilistic, self-indulgent, and lacking in any fundamental sense of values").

288 *See id.* at 845.

is the legislature, not the Court which is to define a crime, and ordain its punishment.'"[289]

Notwithstanding concerns about bringing the activities of college pranksters within the felony realm,[290] Congress closed the "LaMacchia loophole" in the No Electronic Theft Act of 1997.[291] This so-called "NET Act" extended criminal infringement to willful "reproduction or distribution [of copyrighted works], including by electronic means, during any 180-day period, of 1 or more copies or phonorecords of 1 or more copyrighted works, which have a total retail value of more than $1,000,"[292] which removes any mens rea (motive) component. It also stiffened the criminal penalties applicable to copyright infringement committed through electronic means.[293] Congress viewed prosecutorial discretion in whether to pursue the matter and judicial restraint in sentencing as critical to achieving appropriate enforcement.[294]

The NET Act substantially raised the profile of criminal prosecution in copyright law's enforcement toolbox just as the Internet Age was taking hold.[295] A year later, the DMCA added further criminal enforcement tools as part of the anti-circumvention provisions.[296] In 1999, the Clinton Administration established the National Intellectual Property Law En-

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289 *See id.* (quoting Dowling v. United States, 473 U.S. 207, 214 (1985) (quoting United States v. Wiltberger, 18 U.S. (5 Wheat.) 76, 95 (1820))).

290 *See* 143 Cong. Rec. S12689-90 (daily ed. Nov. 13, 1997) (statement of Sen. Hatch).

291 Pub. L. No. 105-147, 111 Stat. 2678-80 (codified as amended at 17 U.S.C. § 506, 18 U.S.C. § 2319, and 28 U.S.C. § 994).

292 *See* 17 U.S.C. § 506(a)(2) (2012).

293 *See* 18 *id.* § 2319.

294 *See* 143 Cong. Rec. S12,689 (daily ed. Nov. 13, 1997) (statement of Sen. Hatch) ("I am also relying upon the good sense of prosecutors and judges. Again, the purpose of the bill is to prosecute commercial-scale pirates who do not have commercial advantage or private financial gain from their illegal activities. But if an over-zealous prosecutor should bring and win a case against a college prankster, I am confident that the judge would exercise the discretion that he or she may have under the Sentencing Guidelines to be lenient. If the practical effect of the bill turns out to be draconian, we may have to revisit the issue.").

295 *See* Note, *Criminalization of Copyright Infringement in the Digital Era*, 112 HARV. L. REV. 1705 (1999).

296 *See* 17 U.S.C § 1204 (2012) (providing that "[a]ny person violates section 1201 [circumvention of technological measures] or 1202 [false copyright management information] willfully and for purposes of commercial advantage or private financial gain — (1) shall be fined not more than $500,000 or imprisoned for not more than 5 years, or both, for the first offense; and (2) shall be fined not more than $1,000,000 or imprisoned for not more than 10 years, or both, for any subsequent offense").

forcement Coordination Center[297] within the Department of Homeland Security's Immigration and Customs Enforcement (ICE) service to coordinate investigations and prosecutions and communicate information about these activities within the government and with the public.[298] In 2000, Attorney General Janet Reno announced broad new criminal enforcement initiatives aimed at digital copyright infringement as well as other forms on Internet-based criminal activity.[299] The following year, Attorney General John Ashcroft established ten "Computer Hacking and Intellectual Property" (CHIP) units aimed at computer hacking and pirating intellectual property.[300]

These initiatives led to the break-up of several notorious software distribution rings. In 1999, federal agents brought down "Pirates With Attitude" (PWA), considered to be the "oldest and most sophisticated band of software pirates in Internet history."[301] It operated 13 FTP (file transfer protocol)[302] servers hosting over 30,000 software programs.[303] A December 2001 raid by federal agents in twenty-seven cities broke the

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297 The National Intellectual Property Law Enforcement Coordination Center would be renamed the National Intellectual Property Rights Coordination Center (NIPRCC).

298 *See* Treasury/Postal Appropriations Bill, Pub. L. No. 106-58, Section 653 (1999) (establishing NIPLECC); U.S. PATENT & TRADEMARK OFFICE ET AL., THE NATIONAL INTELLECTUAL PROPERTY LAW ENFORCEMENT COORDINATION COUNCIL ANNUAL REPORT 2000, *available at* http://www.uspto.gov/web/offices/dcom/olia/niplecc.

299 *See* Attorney General Janet Reno, Protecting Intellectual Property in the Digital Age, Symposium of the Americas (Sept. 12, 2000), *available at* http://www.usdoj.gov/archive/ag/speeches/2000/91200agintellectualprop.htm.

300 *See* Lisa M. Bowman, *U.S. to Cybercriminals: You're Going Down*, C—NET (July 20, 2001), http://news.cnet.com/U.S.-to-cybercriminals-Youre-going-down/2100-1001_3-270322.html.

301 *See* Darryl van Duch, *Eyes on 'Pirates' Trial in Chicago*, NAT'L L.J. (New York City), Mar. 26, 2001, at B1.

302 *See File Transfer Protocol*, WIKIPEDIA, http://en.wikipedia.org/wiki/File_Transfer_Protocol.

303 *See* Press Release, U.S. Department of Justice, Leader Of Software Piracy Sentenced To 18 Months In Prison (May 15, 2002), http:// www.cybercrime.gov/rothbergSent_pirates.htm.

"DrinkorDie" software piracy ring.[304] Many more prosecutions involving computer software and motion pictures followed.[305]

Based on the first few years of NET Act prosecutions, Professor Eric Goldman concluded that the actions "appear generally consistent with Congress' objectives for the Act" and, contrary to some predictions,[306] have not resulted in overreaching prosecutions against de minimis offenders.[307] He noted, however, that the NET Act did not appear to have curbed software piracy,[308] although the piracy baseline would have increased substantially in the years following passage of the NET Act as a result of vastly expanded broadband penetration, software products, and Internet usage. The pertinent question is whether the NET Act reduced piracy relative to no public enforcement, which seems likely.

The major reason why infringement of software (including video games) has not been substantially higher has been the use of digital rights management, frequent updating, and the large size of such programs. Even Internet motion picture piracy remained relatively modest in the early to mid 2000 period due to DVD encryption, the large file size of films, the reduced quality of shared versions, and the difficulty of porting films to large screens for viewing.

These technological restraints faded with growing broadband coverage and the advent and spread of BitTorrent.[309] Introduced in mid 2001, BitTorrent enabled much more rapid transfer of large files. As illustrated by the difficulties Kathryn Bigelow (The Hurt Locker) and Ellen Seidler (And Then Came Lola) experienced in marketing their independent films,[310] the advent of cyberlocker sites such as MegaUpload and RapidShare in the mid 2005 to 2009 time period brought pirated feature films within the reach of most Internet users.

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304 *See* Robert Lemos, *U.S. Plans New Raids on File Swappers*, NEWS.COM.COM (Dec. 12, 2001), http://news.com.com/2100-1023-276885.html; *Associated Press, Feds Zero in on Piracy Ring*, WIRED (Dec. 11, 2001), http://http://www.wired.com/news/politics/0,1283,49026,00.html; *DrinkorDie Leader Pleads Guilty*, REUTERS (Feb. 27, 2002), http://www.wired.com/news/politics/0,1283,50715,00.html.

305 *See* Eric Goldman, *A Road to No Warez: The No Electronic Theft Act and Criminal Copyright Infringement*, 82 OR. L. REV. 369, 381-92 (2003) (chronicling a wave of prosecutions between 2001 and 2003).

306 *See* Andrew Grosso, *Legally Speaking:The Promise and Problems of the No Electronic Theft Act*, 43 COMM. OF THE ACM, 23, 26 (Feb. 2000), http://cacm.acm.org/magazines/2000/2/7736-legally-speaking-the-promise-and-problems-of-the-no-electronic-theft-act/fulltext. .

307 *See* Goldman, *supra* note 305, at 393-96.

308 *See id.* at 396-99.

309 *See BitTorrent (software)*, WIKIPEDIA, http://en.wikipedia.org/wiki/BitTorrent_%28software%29 (last visited Nov. 4, 2013).

310 *See supra*, text accompanying notes 178-80.

These and related concerns would prompt Congress to pass the Prioritizing Resources and Organization for Intellectual Property (PRO-IP) Act of 2008.[311] This legislation ramps up civil and criminal penalties, with much higher limits for repeat offenders. It also established an Intellectual Property Enforcement Coordinator (IPEC) office within the Executive Office of the President to coordinate anti-piracy efforts across relevant Federal agencies (Department of Justice, Office of Management and Budget, Department of Homeland Security, Federal Bureau of Investigation (FBI), Immigration and Custom Enforcement (ICE), Customs and Border Protection, the Patent and Trademark Office, the Office of the U.S. Trade Representative, and the U.S. Copyright Office), foreign governments, private companies, and public interest groups to implement the best strategies to foster and protect invention and creativity. The IPEC has been responsible for developing and implementing a Joint Strategic Plan to combat counterfeiting and piracy.

As part of these efforts, the IPEC coordinated "Operation in Our Sites," leading the ICE and the Department of Homeland Security to seize hundreds of websites alleged to traffic in unauthorized copyright content and counterfeit goods. The seizure of domains containing allegedly infringing copyrighted materials proceeds according to the following steps:[312] (1) ICE agents download or stream suspicious content; (2) ICE agents then check with rights holders to verify that the content is protected; (3) ICE and NIPRCC present this evidence to the Department of Justice, which determines whether there is adequate basis to obtain a seizure order for the website in question; (4) investigators determine whether the domain name is registered in the United States; (5) ICE and NIPRCC present affidavits to a federal magistrate judge; (6) the federal magistrate judge determines whether there is probable cause to support infringement; (7) the magistrate judge grants a seizure order that is served on the domain name registry (as opposed to the website operator); (8) the domain name registry must restrain and lock the domain name pending completion of the forfeiture proceeding and transfer the domain name's title, rights, and interests to the U.S. government; and (9) the registry must redirect the domain to a web page operated by the U.S. government displaying a plaque stating that the website has been seized.[313] Among the factors that the Department of Justice considers in determining whether to seize a website are the popularity of the site, whether it is commercial in

311 *See* Pub. L. 110-403, 122 Stat. 4256 (2008).

312 *See* Karen Kopel, *Operation Seizing Our Sites: How the Federal Government Is Taking Domain Names Without Prior Notice*, 28 BERKELEY TECH. L.J. 859, 875-76 (2013).

313 The plaque states that the seizure is pursuant to 18 U.S.C. §§ 981 and 2323.

nature, whether it is profitable, and whether seizure would have a substantial impact on piracy.[314]

These seizures have raised concerns about freedom of expression, due process, and chilling effects on technological innovation.[315] The owner of a website that has been seized under this process cannot challenge the decision until after the website has been transferred to the government. Only then is the website owner afforded an opportunity to challenge the validity of the affidavit supporting the seizure. The government bears the burden of proof in such proceeding.[316] The website owner may also demand return of the property by writing directly to ICE.[317] If ICE does not return the website within fifteen days, the owner can petition the U.S. District Court in which the seizure warrant was issued or executed.

Several ICE domain seizures illustrate the due process, free expression, and overbreadth problems. In November 2010, the government seized eighty-two domains alleged to be engaged in the sale and distribution of counterfeit goods and pirated works.[318] The seizures included sev-

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314 *See* Brian T. Yeh, *Online Infringement and Counterfeiting: Legislation in the 112th Congress*, 1099 PLI/PAT 693, 704 (2012).

315 *See* Letter from Sen. Ron Wyden to John Morton, Director, U.S. Immigration and Customs Enforcement, and Eric Holder, Attorney General (Feb. 2, 2011), *available at* http://wyden.senate.gov/download/?id=103d177c-6f30-469b-aba8-8bbfdd4fd197 (expressing concern that the seizure procedure "could stifle constitutionally protected speech, job-creating innovation, and give license to foreign regimes to censor the Internet"); Letter from Rep. Zoe Lofgren to John Morton, Director, U.S. Immigration and Customs Enforcement (Apr. 7, 2011), *available at* http://lofgren.house.gov/images/stories/pdf/letter_to_morton_4-7.pdf; Letter from Rep. Zoe Lofgren, Rep. Jared Polis & Rep. Jason Chaffetz to Eric Holder, Attorney General, and Secretary Napolitano (Aug. 30, 2012), *available at* http://lofgren.house.gov/images/Letter_to_AG&uscore;Holder_ 083012.pdf; *Promoting Investment and Protecting Commerce Online: Legitimate Sites v. Parasites. Part I: Hearing Before the H. Comm. on the Judiciary, Subcomm. on Intellectual Property, Competition, and the Internet*, 112th Cong. 37 (2011), *available at* http://judiciary.house.gov/hearings/hear_03142011.html (statement of David Sohn, Senior Policy Counsel, Center for Democracy & Technology, raising concerns about mitigating factors and overbreadth not being adequately considered); David Makarewicz, *5 Reasons Why the US Domain Name Seizures Are Unconstitutional*, TORRENTFREAK (Mar. 12, 2011), http://torrentfreak.com/5-reasons-why-the-us-domain-seizures-are-unconstitutional-110312.

316 *See* 18 U.S.C. §983(c)(1) (2012).

317 *See Promoting Investment and Protecting Commerce Online: Legitimate Sites v. Parasites, Part II: Hearings Before the H. Subcomm. on Intellectual Property, Competition, and the Internet*, 112th Cong. 117 (2011) (statement of John Morton, Director, ICE).

318 *See* Immigration and Customs Enforcement News Release: ICE Seizes 82 Website Domains Involved in Selling Counterfeit Goods as Part of Cyber

eral rap and hip hop blogs showcasing new artists tagged by an RIAA representative as pirate sites.[319] Dajaz1.com allegedly posted pre-release songs owned by RIAA member labels. Yet these songs had apparently been "leaked" by record label promotional representatives for marketing and publicity.[320] Thus, the website seized had authorization to post the works. Even after this mistake was revealed within a few weeks by the New York Times,[321] the government delayed more than year before unceremoniously returning the domain.[322] As later unsealed documents would reveal, the delay resulted from ICE waiting for the RIAA to provide evidence establishing that the postings of the songs were illegal.[323] Such evidence never materialized.[324] The owner and users of the blog lost more than a year of activity without justification.[325] And while the gov-

Monday Crackdown (Nov. 29, 2010), http://www.ice.gov/news/releases/1011/101129washington.htm.

319 *See* Mike Masnick, *More & Bigger Mistakes Discovered in Homeland Security's Domain Seizures*, TECHDIRT (Dec. 22, 2010), http://www.techdirt.com/articles/20101222/02112912376/more-bigger-mistakes-discovered-homeland-securitys-domain-seizures.shtml.

320 *See* Ben Sisario, *Piracy Fight Shuts Down Music Blogs*, N.Y. TIMES (Dec. 13, 2010), http://www.nytimes.com/2010/12/14/business/media/14music.html?_r=1&.

321 *See id.*

322 *See* David Kravets, *Feds Seized Hip-Hop Site for a Year, Waiting for Proof of Infringement*, WIRED (May 3, 2012), http://www.wired.com/threatlevel/2012/05/weak-evidence-seizure; Mike Masnick, *Breaking News: Feds Falsely Censor Popular Blog for over a Year, Deny All Due Process, Hide All Details*, TECHDIRT (Dec. 8, 2011), http://www.techdirt.com/articles/20111208/08225217010/breaking-news-feds-falsely-censor-popular-blog-over-year-deny-all-due-process-hide-all-details.shtml.

323 *See* Mike Masnick, *RIAA Tries To Downplay Its Role In The Feds' Unjustifiable Censorship of Dajaz1*, Techdirt (May 8, 2012), http://www.techdirt.com/articles/20120507/16073718821/riaa-tries-to-downplay-its-role-feds-unjustifiable-censorship-dajaz1.shtml [hereinafter "*Unjustifiable Censorship*"); Mike Masnick, *Judge Lets Feds Censor Blog for Over a Year So the RIAA Could Take Its Sweet Time*, TECHDIRT (May 3, 2012), http://www.techdirt.com/articles/20120502/16575418746/judge-lets-feds-censor-blog-over-year-so-riaa-could-take-its-sweet-time.shtml.

324 *See* Ben Sisario, *Hip-Hop Copyright Case Had Little Explanation*, N.Y. TIMES (May 6, 2012), http://www.nytimes.com/2012/05/07/business/media/hip-hop-site-dajaz1s-copyright-case-ends-in-confusion.html?_r=3&.

325 *See* Mike Masnick, *Breaking News: Feds Falsely Censor Popular Blog for over a Year, Deny All Due Process, Hide All Details*, TECHDIRT (Dec. 8, 2011), http://www.techdirt.com/articles/20111208/08225217010/breaking-news-feds-falsely-censor-popular-blog-over-year-deny-all-due-process-hide-all-details.shtml.

ernment asserts that it "followed all proper procedure,"[326] it is difficult to see how this episode accords with justice.

In February 2011, ICE's joint operation with the Department of Justice's Child Exploitation and Obscenity Section executed "seizure warrants against 10 domain names of websites engaged in the advertisement and distribution of child pornography."[327] While pursuing a laudable goal, ICE agents mistakenly seized all domains registered under mooo .com, a registry that allows individuals and small businesses to register "username.mooo.com" subdomains. As a result, all 84,000 mooo.com subdomains were redirected to a website warning:

> This domain name has been seized by ICE — Homeland Security Investigations pursuant to a seizure warrant issued by a United States District Court under the authority of Title 18 U.S.C. 2254.
>
> Advertisement, distribution, transportation, receipt, and possession of child pornography constitute federal crimes that carry penalties for first time offenders of up to 30 years in federal prison, a $250,000 fine, forfeiture and restitution.[328]

ICE later released a statement notice explaining that "[d]uring the course of a joint DHS and DOJ law enforcement operation targeting ten websites providing explicit child pornographic content, a higher level domain name and linked sites were inadvertently seized for a period of time."[329] Although the websites were restored, the owners lost three days of activity and could well have been injured by the suggestion that their website was associated with child pornography.[330]

These incidents, even if exceptional, illustrate problems with the framework of public enforcement in the Internet Age. Although some view the entire government domain name seizure effort as fundamentally

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326 *See* Sisario, *supra* note 324. Counsel for Dajaz1.com questions that assertion. *See Unjustifiable Censorship*, *supra* note 323.

327 *See* Press Release, Joint DHS-DOJ "Operation Protect Our Children" Seizes Website Domains Involved in Advertising and Distributing Child Pornography (Feb. 15, 2011), http://www.dhs.gov/news/2011/02/15/joint-dhs-doj-operation-protect-our-children-seizes-website-domains-involved; *Operation Protect Our Children*, WIKIPEDIA, http://en.wikipedia.org/wiki/Operation_Protect_Our_Children (last visited Nov. 5, 2013).

328 *See* Steven Mostyn, *84,000 Websites Wrongly Culled for Child Pornography*, THE TECH HERALD (Feb. 28, 2011), http://www.thetechherald.com/articles/84-000-websites-wrongly-culled-for-child-pornography/12837.

329 *See* Thomas Claburn, *ICE Confirms Inadvertent Web Site Seizures*, INFORMATION WEEK (Feb. 18, 2011), http://www.informationweek.com/security/vulnerabilities/ice-confirms-inadvertent-web-site-seizur/229218959.

330 *See id.*; Corynne McSherry, *ICE Seizures Raising New Speech Concerns*, ELECTRONIC FRONTIER FOUNDATION (Feb. 16, 2011), https://www.eff.org/deeplinks/2011/02/ice-seizures-raising-new-speech-concerns.

misguided,[331] I believe that government enforcement can and should play a substantial role in copyright protection in the Internet Age. The government is uniquely situated to act quickly and effectively. It can also address the collective action problem posed by websites that can infringe indiscriminately across wide swaths of expressive creativity. And unlike private enforcement, public enforcement brings in the element of prosecutorial discretion.

Independent filmmakers like Ellen Seidler or even substantial motion picture studios have little chance against vast infringing enterprises like MegaUpload or the Pirate Bay. And any gains they achieve in curbing piracy will largely fall to others. Enforcement in the Internet Age presents a classic free rider problem. Content owners that wait by the sideline will reap comparable gains to those that incur enforcement costs. Thus, the government can act as an efficient collective enforcement institution. But in order to harness these comparative advantages over private enforcement, the government must earn the respect of the public. It must deal fairly with all affected parties and exercise prosecutorial discretion in a neutral manner.

The entire copyright public enforcement enterprise needs to be rethought from the standpoints of building public acceptance and sustained effective progress. I recommend a three-pronged approach for establishing legitimacy, balance, and effectiveness: (1) the development of a hybrid public enforcement model to augment criminal enforcement that integrates stronger due process and civil law elements; (2) expanded efforts to work across the content and technology sectors to identify consensual cross-industry solutions to enforcement challenges; and (3) more transparent and balanced approaches to international copyright protection.

(A) A Balanced Public Enforcement Process

The existing enforcement institutions have developed largely through a criminal law framework that is not well tailored to the complex and evolving online copyright enforcement challenges or the importance of public acceptance of the copyright system in the Internet Age. While the criminal model may be appropriate for dealing with warez rings,[332] it is too heavy-handed for many policing Internet activities.

I propose that rather than viewing public enforcement of copyright through the traditional criminal law lens, we view government enforce-

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331 *See id.*

332 Professor Goldman questions the effectiveness of criminal enforcement of warez rings. *See* Goldman, *supra* note 35. While his observations make sense, it is not clear that there is a good enforcement alternative. Furthermore, there likely has been a deterrent effect, even if such rings continue to evolve.

ment more generally as a complement to private enforcement — as a means for dealing with those problems that cannot be handled effectively through private infringement actions. Those problems include pursuing infringing websites targeting U.S. interests that are beyond U.S. jurisdiction, confronting infringing websites that affect a wide swath of copyright owners (thereby creating a collective action problem), and combating infringing activities that require rapid response. The enforcement procedures should be matched to the particularities of these problems.

It is beyond the scope of this lecture to explore all of the design details of an optimal regime, but I will trace the main contours. Outside of those contexts in which urgent action might be required — for example, where a film that has not yet been released or is in first-run theatrical release is being pirated or where the operators of a pirate website are likely to be out of reach of private enforcers or judgment-proof — the government should provide target websites with an opportunity to respond to a seizure request. Moreover, those requesting seizure should bear the costs of false positives. The government should institute a bonding mechanism that to fund compensation for those website owners who are inappropriately targeted.[333] Such procedures would discourage excessive enforcement and afford those wrongly accused with more than a bureaucratic "never mind." It would also introduce safeguards against excessive enforcement.

More generally, the costs of these operations ought to be shared among the illegal operators (to the extent that their assets can be reached) and the beneficiaries of the enforcement activities — the content industries. Thus, recoveries of assets in enforcement proceedings as well as a modest revenue-based fee on those industries that stand to benefit from a collective enforcement effort could provide sustainable funding for government copyright enforcement efforts. Although the public-at-large should benefit from a better functioning copyright system, the public might not view this initiative as a high priority. Raising the costs of public copyright enforcement would provide a market check on the need for such efforts. If affected industries are not willing contribute to such efforts, then perhaps the need is not so acute.

At the same time, the government should strive for transparency and insulation from undue influence in carrying out these activities.[334] There can be serious appearances of impropriety when the government engages in secretive enforcement activities with industry organizations whose

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[333] A provision analogous to 17 U.S.C. § 512(f) providing for liability for those who misuse the DMCA notice and takedown procedure would make sense. As noted below, however, *see infra* Section III (A)(2)(viii), the § 512(f) process could be improved.

[334] *See* Kopel, *supra* note 312, at 900.

members stand to gain from public enforcement.[335] The enforcement process requires evidence from the affected parties. But safeguards should be put in place to ensure that the investigative process is objective and responsibly administered. Full contemporaneous transparency would obviously not work for sting operations and some other urgent enforcement activities, but the complaint process, pertinent evidence, and interaction with complainants ought to be available where feasible to operate as a check on the exercise of government power.

In the end, government copyright enforcement should build trust in the copyright system and government institutions. Tone, transparency, and willingness to admit and provide compensation for mistakes should be the highest order. Flawed enforcement efforts reinforce larger concerns about government trampling of free expression and due process rights. Dajaz1.com's lawyer characterized the treatment of his client — who was subjected to secret proceedings — as a form of "digital Guantanamo."[336] When the government makes mistakes, it should own up to them and make recompense. Copyright enforcement is not a sensitive national security issue. The worst that can happen is that a film reaches illicit channels before its theatrical release, which while costly to the producers of the film, is not life threatening. Outside the realm of serious criminal activity, public copyright enforcement should be a civil process that balances harms to copyright owners and harms to website operators.

(B) Working Collaboratively Across the Content and Technology Sectors

The government can also play an effective role in facilitating cross-industry efforts to address copyright enforcement challenges.[337] Such agreements provide alternatives to costly litigation[338] and legislative provisions that become obsolete.[339] As legitimate Internet content distribution models have emerged, many more technology companies stand to gain from consumers accessing content from legitimate sources. Authorized vendors — such as iTunes, Amazon, YouTube, Netflix, and Spotify — experience greater traffic and commerce to the extent that illegal alternatives are harder to access. ISPs can better manage their traffic when con-

335 *See, e.g.*, Unjustifiable Censorship, *supra* note 323; McSherry, *supra* note 330.

336 *See* Unjustifiable Censorship, *supra* note 323.

337 *See* Menell, *supra* note 257, at 30-32.

338 Epic litigations over user-generated content websites and Google book search, see Authors Guild v. Google, Inc., 770 F. Supp. 2d 666 (S.D.N.Y. . 2011), illustrate how adversarial processes can drag out, drain coffers, and hamper introduction of innovative technologies.

339 The DMCA failed to anticipate the development of Web 2.0 services, resulting in expensive and inconclusive litigation.

sumers access content from legitimate sources. As ISPs integrate distribution and content businesses, they will see even greater direct benefits from reduced piracy.[340]

The cross-industry effort to establish the Principles for User Generated Content Services encouraged the development and implementation of effective filtering technologies for user-upload websites.[341] Although Google did not formally join this initiative, the ContentID system that it deployed for YouTube follows the UGC Principles. In March 2011, Youku .com, China's leading Internet television company, joined the initiative.[342] This is a particularly encouraging development in light of the special challenges of addressing piracy in China.[343]

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340 Following the 2011 merger of Comcast, a cable and Internet company, and NBC Universal, a content company, Comcast's CEO acknowledged a shift in outlook on online copyright enforcement. *See* Kenneth Corbin, *Comcast Set to Enter Copyright Wars*, DATAMATION.COM (Jan. 27, 2010), http://www.datamation.com/cnews/article.php/3861096/Comcast-Set-to-Enter-Copyright-Wars.htm (quoting Brian Roberts: "We are now going to be on both sides of [the whole question of piracy]."). Similarly, Sony Corporation, which prevailed in the hard-fought battle over the video cassette recorder, *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), took a more conciliatory approach to piracy concerns after it acquired motion picture and record labels in the late 1980s. *See Sony Completes $3.4 Billion Acquisition of Columbia*, L.A. TIMES (Nov. 8, 1989), http://articles.latimes.com/1989-11-08/business/fi-1040_1_columbia-pictures (noting the acquisition of Columbia Pictures Entertainment Inc., the film and television studio); *Columbia Records*, WIKIPEDIA, http://en.wikipedia.org/wiki/Columbia_Records (last visited Nov. 4, 2013) (noting that Sony acquired Columbia Records in 1988). Rather than litigate over digital audio tape technology, Sony collaborated with content owners in crafting the Audio Home Recording Act of 1992. *See* Pub. L. No. 102-563, 106 Stat. 4237 (codified as amended at 17 U.S.C. §§ 1001–1010).

Scholars have criticized legislative deal-making as political capture. *See* Lewis Kurlantzick & Jacqueline E. Pennino, *The Audio Home Recording Act of 1992 and the Formation of Copyright Policy*, 45 J. COPYRIGHT SOC'Y 497 (1998); *see generally* Jessica Litman, *Copyright Legislation and Technological Change*, 68 OR. L. REV. 275 (1989). Compromises growing from cross-industry mergers, however, are more likely to promote social welfare than backroom deals with one industry group. The larger concern is activating and involving diffuse and less well-organized interests. *See* MANCUR OLSON, THE LOGIC OF COLLECTIVE ACTION (1971). The Internet has awakened and helped to organize more of those interests.

341 *See* Note, *The Principles for User Generated Content Services: A Middle-Ground Approach to Cyber-Governance*, 121 HARV. L. REV. 1387 (2008).

342 *See* Press Release, Youku Joins Broad Coalition in Support of UGC Principles (Mar. 7, 2011), http://ir.youku.com/phoenix.zhtml?c=241246&p=irol-newsArticle&id=1536305.

343 *See* Vincent Brodbeck, *Using the Carrot, Not the Stick: Streaming Media and Curbing Digital Piracy in China*, 19 B.U. J. SCI. & TECH. L. 127 (2013).

The Intellectual Property Enforcement Coordinator has encouraged development of memoranda of understanding and comparable initiatives aimed at preventing enforcement problems and costly litigation.[344] In June 2011, major credit card companies and payment processors reached an agreement on voluntary best practices to reduce sales of counterfeit and pirated goods.[345] The best practices are designed to cut off financial services to websites distributing infringing goods. The agreement provides mechanisms to investigate complaints and remove payment services from sites that continue to operate unlawfully. It also provides appeal mechanisms during and after the investigation phase and both before and after any action is taken.[346]

In July 2011, leading ISPs (AT&T, Comcast, Cablevision, Verizon, and Time Warner Cable) and major and independent music labels and movie studios reached an agreement to reduce online piracy through what has been called "graduated response."[347] Under the agreement, ISPs will notify subscribers, through a series of alerts, when their Internet service accounts appear to be misused for infringement on peer-to-peer networks. The agreement contains safeguards to ensure the accuracy of detection methods and afford users opportunities to challenge accusations of im-

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344 *See* U.S. INTELLECTUAL PROP. ENFORCEMENT COORDINATOR, 2011 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT 6, 46-47 (Mar. 2012), *available at* http://www.whitehouse.gov/sites/default/files/omb/IPEC/ipec_annual_report_mar2012.pdf; U.S. INTELLECTUAL PROP. ENFORCEMENT COORDINATOR, 2013 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT 36 (June 2013), *available at* http://www.whitehouse.gov/sites/default/files/omb/IPEC/2013-us-ipec-joint-strategic-plan.pdf [hereinafter IPEC 2013 Joint Strategic Plan).

345 *See* U.S. INTELLECTUAL PROP. ENFORCEMENT COORDINATOR, 2011 JOINT STRATEGIC PLAN ON INTELLECTUAL PROPERTY ENFORCEMENT 46 (Mar. 2012), *available at* http://www.whitehouse.gov/sites/default/files/omb/IPEC/ipec_annual_report_mar2012.pdf.

346 Andrew Bridges, attorney for Dajaz1.com, notes that his law firm has "observed a number of instances in which companies received threats of termination based on accusations by rights holders and had to argue for their continued participation in the payment networks." *See* Andrew P. Bridges, *SOPA Didn't Die. It Just Became Soft SOPA*. FENWICK & WEST 2013 INTELL. PROP. SUMMER BULL. 3 (Sept. 25, 2013), *available at* http://www.fenwick.com/FenwickDocuments/IP_Bulletin_Summer_2013.pdf. Mr. Bridges does not indicate, however, the extent to which this initiative has reduced piracy. It remains to be seen whether this approach will provide a better balance in the marketplace.

347 *See* Memorandum of Understanding (July 26, 2011), http://www.copyrightinformation.org/sites/default/files/Momorandum%20of%20Understanding.pdf; *see* Annemarie Bridy, *Graduated Response American Style: "Six Strikes" Measured Against Five Norms*, 23 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1 (2012).

proper activity. Professor Annemarie Bridy sees the initiative in mixed terms:

> On the positive side, it does not involve content blocking or filtering, and it is unlikely to result in even a temporary suspension of Internet access for any accused repeat infringer. In addition, it does not require ISPs to monitor subscriber traffic or to turn over identifying information about individual subscribers to copyright owners. Finally, it provides an opportunity to appeal a finding of repeat infringement to an independent reviewer before any sanction is imposed, without foreclosing the possibility of judicial process.
>
> On the negative side, there are insufficient safeguards in [copyright alert system] to insure the accuracy of allegations of infringement, the fairness of the independent review process, and the independence and expertise of the various "independent experts" the MOU requires [the Center for Copyright Information] to consult. Moreover, there is no way for the public to know whether the program is meeting the goals established for it in the MOU.[348]

It remains to be seen whether this approach will achieve its goals, but there can be little doubt that it offers a more balanced approach to illegal file-sharing than the mass litigation that unfolded from 2003 through 2008. As I discuss below,[349] I would encourage the industries to take a more conciliatory approach than graduated response — what I call graduated embrace.

In July 2013, the IPEC announced promulgation of "Best Practices for Ad Networks to Address Piracy and Counterfeiting"[350] by the Interactive Advertising Bureau and leading ad networks.[351] As noted by Susan Molinari, Google's Vice President for Public Policy and Government Relations:

> [u]nder these best practices, Ad Networks will maintain and post policies prohibiting websites that are principally dedicated to selling counterfeit goods or engaging in copyright piracy from participating in the Ad Network's advertising programs. By working across the industry, these best practices should help reduce the financial incentives for pirate sites by

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348 *See* Bridy, *supra* note 347, at 67.

349 *See infra*, Section III(B)(2).

350 *See* Best Practices for Ad Networks to Address Piracy and Counterfeiting, http://2013ippractices.com (last visited Nov. 4, 2013).

351 Victoria Espinel, *Coming Together to Combat Online Piracy and Counterfeiting, Office of Management and Budget* (July 15, 2013), OFFICE OF MANAGEMENT AND BUDGET, http://www.whitehouse.gov/blog/2013/07/15/coming-together-combat-online-piracy-and-counterfeiting (announcing that 24/7 Media, Adtegrity, AOL, Condé Nast, Google, Microsoft, SpotXchange, and Yahoo!, with the support of the Internet Advertising Bureau, collaborated in establishing self-regulating best practices for their ad networks).

cutting off their revenue supply while maintaining a healthy Internet and promoting innovation.[352]

This initiative promises a less draconian, more flexible approach to piracy enforcement.

(c) Balanced International Efforts to Promote Copyright Protection

A third prong of public enforcement concerns international initiatives, ranging from foreign enforcement cooperation and interdiction efforts to copyright and trade treaties. IPEC and NIPRCC coordinate with INTERPOL and foreign enforcement agencies to investigate and enforce copyright laws.[353] IPEC, the Patent and Trademark Office (PTO), and the U.S. Trade Representative (USTR) play central roles in promoting enforcement of U.S. intellectual property rights abroad through trade policy tools.[354] The USTR conducts an annual compliance review of intellectual property protection and market access practices in foreign countries.[355]

The negotiation of international trade agreements relating to intellectual property enforcement has been vigorously criticized for lack of transparency and public participation as well as substantive flaws.[356] These problems undermine public support for international enforcement initiatives.

More importantly, the U.S. has tended to treat international IP and trade treaties much the way the recording industry treated consumers fol-

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352 *See* Susan Molinari, *Ad Networks Agree on Industry Best Practices to Combat Piracy and Counterfeiting*, Google Public Policy Blog (Jul. 15, 2013), http://googlepublicpolicy.blogspot.com/2013/07/ad-networks-agree-on-industry-best.html.

353 *See About Us Partners*, National Intellectual Property Rights Coordination Center, http://www.iprcenter.gov/about-us (last visited Nov. 4, 2013); IPEC 2013 Joint Strategic Plan, *supra* note 344, at 25-26, 30-31.

354 *See* IPEC 2013 Joint Strategic Plan, *supra* note 344, at 27-30.

355 The USTR's annual report is conducted pursuant to Section 182 of the Trade Act of 1974, as amended by the Omnibus Trade and Competitiveness Act of 1988 and the Uruguay Round Agreements Act. *See* Office of the U.S. Trade Representative, 2013 Special 301 Report (May 2013), *available at* http://www.ustr.gov/sites/default/files/05012013%202013%20Special%20301%20Report.pdf.

356 *See* Michael Blakeney, *Covert International Intellectual Property Legislation: The Ignoble Origins of the Anti-counterfeiting Trade Agreement (ACTA)*, 21 Mich. St. Int'l. L. Rev. 87 (2013); Michael Geist, *ACTA's State of Play: Looking Beyond Transparency*, 26 Am. U. Int'l L. Rev. 543 (2011); Eddan Katz & Gwen Hinze, *The Impact of the Anti-Counterfeiting Trade Agreement on the Knowledge Economy: The Accountability of the Office of the U.S. Trade Representative for the Creation of IP Enforcement Norms Through Executive Trade Agreements*, 35 Yale J. Int'l L. Online 24 (2009).

lowing the emergence of peer-to-peer technology — as enforcement problems.[357] Much of the rhetoric surrounding the issue emphasizes expressive creativity as an export/balance of trade issue for our nation; not as a critical economic and social policy for all nations. If the U.S. wants the developing world to respect intellectual property protection, those nations need to have a stake other than as paying consumers.

As nations develop domestic creative industries, they are more receptive to embracing laws protecting content of other nations[358] — a lesson the United States appears to have forgotten. Charles Dickens was initially welcomed on his tour of the United States in the 1840s as a hero of the common man.[359] The press and the public turned on him, however, as he sought to use this platform to promote copyright protection for foreign (as well as domestic) authors.[360]

It was only after the U.S. developed a robust market for homegrown expressive creativity that international protection became a priority.[361] U.S. treaty and trade negotiators should celebrate and nurture Bollywood, Nollywood, and other creative communities as a primary focus for achieving global copyright protection. The U.S. should not be seen as an IP bully on the international stage but rather as a genuine partner willing to lend a hand up to nations willing to support their creative industries.[362] Such a policy has the added bonus of promoting free expression and democratic ideals.

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357 This is not surprising in view of the political economy of copyright policy. The major content industries perceive these issues through a narrow and myopic lens. They have taken the expedient course of emphasizing domestic employment concerns and balance of trade as opposed to promoting expressive creativity.

358 *See* AUBERT J. CLARK, THE MOVEMENT FOR INTERNATIONAL COPYRIGHT IN NINETEENTH-CENTURY AMERICA (1960) (observing that the United States did not afford intellectual property legislation for non-U.S. citizens until its economy developed).

359 *See* Sherri L. Burr, *The Piracy Gap: Protecting Intellectual Property in an Era of Artistic Creativity and Technological Change*, 33 WILLAMETTE L. REV. 245, 248 (1997).

360 *See* Gerhard Joseph, *Charles Dickens, International Copyright, and the Discretionary Silence of Martin Chuzzlewit*, 10 CARDOZO ARTS & ENT. L.J. 523 (1992); *see* Edward G. Hudon, *Literary Piracy, Charles Dickens and the American Copyright Law*, 50 AM. BAR.ASS'N J. 1157 (1964); Lawrence H. Houtchens, *Charles Dickens and International Copyright*, 13 AM. LITERATURE 18 (1941); James J. Barnes, AUTHORS, PUBLISHERS AND POLITICIANS: THE QUEST FOR AN ANGLO-AMERICAN COPYRIGHT AGREEMENT 1815–1854 (1974).

361 *See* Clark, *supra* note 358.

362 *See* Sean Pager, *Accentuating the Positive: Building Capacity for Creative Industries into the Development Agenda for Global Intellectual Property Law*, 28 AM. UNIV. INT'L L. REV. 223 (2012).

c) Whistleblower Bounties

As the challenge of online file-sharing has developed, technology companies have advocated pursuing bad actors rather than those who develop innovative technologies.[363] Unfortunately, it is often difficult to separate the good actors from the bad.[364] In the context of technologies like user-generated content web portals or book search, it is often exceedingly difficult to know where the line is drawn. The Sony staple article of commerce doctrine, DMCA OSP safe harbors, and fair use doctrine can be difficult to navigate.

In some cases, however, the line between legal and illegal activity is relatively easy to ascertain but the intent and actions of the actors can be illusive. Take, for example, the case of Grooveshark, a popular online music streaming service that offers a broad music catalog, including major label releases. Although Grooveshark does not have licenses from the copyright owners, it asserts that it is insulated from liability because it merely hosts these files at the behest of users and expeditiously removes copyrighted works for which it lacks authorization when it receives legitimate takedown requests.[365] Putting aside whether the DMCA safe harbor extends this far,[366] the service would clearly run afoul of copyright law if Grooveshark employees knowingly uploaded copyrighted music to the service.

So imagine if a Grooveshark employee were to acknowledge that:

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363 *See* Mark Lemley & Anthony Reese, *Reducing Digital Copyright Enforcement Without Restricting Innovation*, 56 STAN. L. REV. 1345 (2004).

364 *See* Jane C. Ginsburg, *Separating the Sony Sheep from the Grokster Goats: Reckoning the Future Business Plans of Copyright-Dependent Technology Entrepreneurs*, 50 ARIZ. L. REV. 577 (2008).

365 *See* Mike Masnick, *Grooveshark Insists It's Legal; Points Out That Using DMCA Safe Harbors Is Not Illegal*, TECHDIRT (Apr. 20, 2011), http://www.techdirt.com/articles/20110419/11434013962/grooveshark-insists-its-legal-points-out-that-using-dmca-safe-harbors-is-not-illegal.shtml.

366 Grooveshark contends that the prevalence of major label hits being promoted by its "Popular" button does not send up any "red flag" signaling apparent infringing activity. According to one of Grooveshark's vice presidents, the "popular list" is merely "an automated list of songs, based on day-to-day activity on our site." "This isn't a list that we are going out of our way to put together. We have really no direct control of the songs that pop up in the 'popular' section." Perhaps Grooveshark employees, including those maintaining the website, never monitor that page or traffic on the site. Perhaps they do not know that many of the most popular artists are on major record labels that are suing them for copyright infringement. That would be astonishing for a company that advertises itself as "the world's largest international community of music lovers" that is actively seeking licensing deals from record labels. Or perhaps they are willfully blind to what is going on. *See* Peter S. Menell, Jumping the Grooveshark (Dec. 21, 2011), *available at* http://www.mediainstitute.org/new_site/IPI/2011/122111.php.

> [w]e are assigned a predetermined amount of weekly uploads to the system and get a small extra bonus if we manage to go above that (not easy). The assignments are assumed as direct orders from the top to the bottom, we don't just volunteer to 'enhance' the Grooveshark database.[367]

This statement, if true, would establish that Grooveshark was not eligible for the DMCA safe harbor and was directly liable for copyright infringement. The statement was posted to Digital Music News, a music and tech industry news blog, by a person purporting to be an anonymous Grooveshark employee.[368] Grooveshark served Digital Media News with a subpoena seeking information about the identities of the poster as a well as correspondence with the major record labels. Digital Media News refused to comply on First Amendment grounds. The litigation between record labels and Grooveshark has languished for several years.

Another enforcement problem concerns darknets[369] and private torrent sites,[370] which use anonymizing technology and invitation-based screening to avoid detection. Such activity operates below general search engine radar and hence is significantly more difficult to detect. The effects of such activity on content markets are likely to be smaller because files are not accessible to the public-at-large. Furthermore, the individuals that participate in these channels are technology savvy and especially resistant to having their digital freedom limited. Nonetheless, their activity violates copyright protection and potentially seeds the spread of unauthorized copies into more public channels.

Traditional copyright enforcement lacks the tools to surface these violations effectively. One solution would be to reward those with information about illegal activity who come forward with pertinent evidence. The

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367 *See* Ben Sisario, *Digital Notes: Grooveshark Copyright Suit and Its Unusual Evidence*, N.Y. TIMES (Jan. 18, 2012), http://mediadecoder.blogs.nytimes.com/2012/01/18/digital-notes-grooveshark-copyright-suit-and-its-unusual-evidence.

368 *See id.*

369 *See* Peter Biddle, Paul England, Marcus Peinado, and Bryan Willman, The Darknet and the Future of Content Distribution, ACM Workshop on Digital Rights Management. (Nov 2002), *available at* http://msl1.mit.edu/ESD10/docs/darknet5.pdf.

370 *See* Bodó Balázs, *Set the Fox to Watch the Geese: Voluntary IP Regimes in Piratical File-Sharing Communities*, *in* PIRACY: LEAKAGES FROM MODERNITY (Martin Fredriksson & James Arvanitakis eds., 2013) Andy, *Why Private Torrent Sites Have Strict Copyright Enforcement Rules*, TORRENT FREAK (May 11, 2013), http://torrentfreak.com/why-private-torrent-sites-have-strict-copyright-enforcement-rules-130511 (explaining that "private torrent sites" — of which there are possibly thousands — utilize invite-only walls so as to prevent detection).

False Claims Act (FCA)[371] offers a potentially useful model.[372] This statute uses the prospect of gaining a share of eventual recovery from enterprises that defraud the government as a mechanism to elicit evidence of fraud. While the particularities of the FCA could not be carried over to copyright enforcement entirely, the use of bounties or rewards for information used in enforcement has been extrapolated to private software copyright enforcement. The Business Software Alliance (BSA) and the Software and Information Industry Alliance (SIIA) offer bounties to those who report software piracy.[373] This has facilitated direct enforcement and likely deterred infringing activity.[374]

2. *Promoting Cumulative Creativity*

Beyond these structural and substantive adjustments to copyright's enforcement regime, Congress can better promote creativity by updating copyright law to facilitate building upon the stock of copyrighted works. In some contexts, this can be accomplished by adjusting copyright law's default rules to make it easier for follow-on creators to license underlying works. In others, this can be accomplished by curtailing the scope of rights in underlying works in ways that will not discourage primary incentives. Many of copyright's rules developed for an analog age stand in the way of rapid creative advance made possible by digital technology. New technol-

371 *See* False Claims Act, ch. 67, 12 Stat. 696 (1863) (current version codified at 31 U.S.C. §§ 3729-3733); *see generally* CLAIRE M. SYLVIA, THE FALSE CLAIMS ACT: FRAUD AGAINST THE GOVERNMENT (2d ed. 2010).

372 *See* Patricia Meador & Elizabeth S. Warren, *The False Claims Act: A Civil War Relic Evolves into a Modern Weapon*, 65 TENN. L. REV. 455 (1998)

373 *See* Mark Malven, *Technology: Software Piracy Watchdogs Offer Up to $1 million Bounty to Corporate Whistleblowers*, INSIDE COUNSEL (Nov. 19, 2010), http://www.insidecounsel.com/2010/11/19/technology-software-piracy-watchdogs-offer-up-to-1; Ken Fisher, *BSA Announces $1 Million Reward for Piracy Snitches*, ARSTECHNICA (Jul. 2, 2007), http://arstechnica.com/tech-policy/2007/07/bsa-announces-1-million-award-for-piracy-snitches. The BSA and SIIA provide online forms for reporting software piracy. *See* BSA, https://reporting.bsa.org/r/report/add.aspx?src=us&ln=en-us (last visted Nov. 4, 2013); *see* SIAA, https://www.siia.net/piracy/report/report.asp? (last visited Nov. 4, 2013).

374 *See Whistleblowers Can Be Rewarded for Turning in Boss for Computer Crimes*, CBS BAY AREA (Sep. 5, 2013), http://sanfrancisco.cbslocal.com/2013/09/25/whistleblowers-can-be-rewarded-for-turning-in-boss-for-computer-crimes (reporting that the BSA settled eight piracy cases in the U.S. last year involving more than $2.5 million in pirated software and that a percentage of the fines go to informants as a reward); Robert J. Scott, *BSA — The Software Alliance "Whistleblower" Radio Ads Focus on Omaha, Portland, Salt Lake City, and Tampa*, PRWEB (Mar. 12, 2013), http://www.prweb.com/releases/2013/3/prweb10521211.htm (offering audit services in response to the advertisements soliciting whistleblowers).

ogies remove many of the historic impediments to dissemination of research and development of new works that build upon the old. Loosening several of copyright law's protection doctrines while making minimal demands on copyright owners to maintain up-to-date digital records of their ownership interests could greatly increase the value of existing works while unleashing a vast wave of new creativity. This section highlights a non-exhaustive range of promising reform possibilities.

a) Academic Research

Copyright law's expansive subject matter and broad rights sweep academic scholarship into the same bucket as J.K. Rowling novels and much else, notwithstanding the stark motivational differences between these categories of writing. Novelists rely on the market to support their craft. They rely on royalties (sometimes advanced by publishers). If their books don't sell, they don't get paid. Academics, by contrast, get paid a salary to do academic research and write articles. They do not earn royalties from sales of the journals containing their works.

Yet for much of the history of copyright protection, these differences did not present much of a problem. The costs of publishing, marketing, and distribution scholarly journals required funding that copyright protection helped to generate. The revenues from selling academic journals helped to support the professional societies that peer-reviewed these works. Copyright protection supported this infrastructure. In this way, copyright indirectly fostered academic scholarship, but it did so through monopoly pricing and limitations of access.

Now that advances in digital technology have largely eliminated the costs of publishing, marketing, and distributing scholarly journals, the case for copyright protection of academic scholarship is much attenuated if not eliminated.[375] In fact, copyright protection can delay the spread of academic research which can have undesirable effects on research, access to medicine, and a large range of social purposes.[376]

The low cost of distributing academic scholarship and scientific research has fueled a vast open access movement.[377] The Internet provided

[375] *See* Jorge L. Contreras, *Confronting the Crisis in Scientific Publishing: Latency, Licensing, and Access*, 53 SANTA CLARA L. REV. 491 (2013); Steven Shavell, *Should Copyright of Academic Works be Abolished?*, 2 J. LEGAL ANALYSIS 301 (2010); Jessica Litman, *The Economics of Open Access Law Publishing*, 10 LEWIS & CLARK L. REV. 779 (2006); Theodore C. Bergstrom, *Free Labor for Costly Journals?*, 15 J. ECON. PERSP. 183 (2001).

[376] *See* Sean Flynn, Aidan Hollis, & Mike Palmedo, *An Economic Justification for Open Access to Essential Medicine Patents in Developing Countries*, 37 J.L. MED. & ETHICS 184 (2009).

[377] *See* Mikael Laakso, Patrik Welling, Helena Bukvova, Linus Nyman, Bo-Christer Björk & Turid Hedlund, *The Development of Open Access Journal*

a quantum leap in open access publishing, which continues to grow rapidly. The Public Library of Science (PLoS) hosts a family of science journals.[378] The Social Science Research Network has become a central repository for a wide range of social science, humanities, business, and legal scholarship.[379] The Directory of Open Access Journals lists nearly 10,000 journals across 122 nations making available over 1.5 million articles.[380] Many open source publications utilize Creative Commons licenses that authorize uses that might otherwise be restricted by copyright law.[381]

The National Academies Press, publisher for the National Academy of Sciences, Institute of Medicine, and other arms of the National Academies, has provided free online full-text editions of their books alongside priced, printed editions since 1994. The National Academies Press sees free online access as a means to promote print sales.[382]

Although open access continues to expand and blunt the overreach of copyright law's default protection scheme for academic research, the continued availability, scope, and duration of copyright protection deserves careful reconsideration. Copyright protection for academic research increasingly serves purposes contrary to copyright's purpose of promoting progress in technological innovation and expressive creativity. Commercial publishers have raised journal prices and slowed the spread of knowledge.

This is not to say the solution is easy. For example, it might be difficult to distinguish between journal articles, for which copyright law no longer serves valuable purposes, and academic books, which do rely on

Publishing from 1993 to 2009, 6 PLoS ONE 1 (2011), http://www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0020961. Peter Suber maintains a timeline of the open access movement, tracing policies back several decades. *See Timeline of the Open Access Movement*, Open Access Directory, http://oad.simmons.edu/oadwiki/Timeline (last visited Nov. 4, 2013).

378 *See* Public Library of Science, http://www.plos.org (last visited Nov. 4, 2013).

379 *See* Social Science Research Network, http://www.ssrn.com (last visited Nov. 4, 2013). It slogan — "Tomorrow's Research Today" — captures a key benefit of online and open dissemination: speed.

380 *See* Directory of Open Access Journals (data baed on October 2013), http://www.doaj.org (last visited Nov. 2, 2013).

381 *See* Creative Commons, http://creativecommons.org (last visited Nov. 4, 2013). For example, PLoS applies the Creative Commons Attribution (CC BY) license, under which authors retain ownership of the copyright for their content, but allow anyone to download, reuse, reprint, modify, distribute and/or copy the content as long as the original authors and source are cited. No further permission is required from the authors or the publishers to make these uses.

382 *See Open Access*, Wikipedia, http://en.wikipedia.org/wiki/Open_access (last visited Nov. 4, 2013).

copyright protection (and compensate authors). But in view of the dramatic changes that digital technology has brought to publishing, the time is ripe to re-examine copyright law's treatment of academic research — a field in which rapid and unrestricted dissemination is particularly vital to promoting progress and economic motivations diverge from the underlying assumptions of the copyright system.

b) Digital Archiving and Search

Within a short time, Internet technology created a vast repository of knowledge that could be searched quickly and effortlessly from anywhere. Yet much of the most valuable knowledge remains outside the Internet — in books, journals, and other documents.

Google's bold announcement in December 2004 that it intended to scan, digitize, and make universally searchable the collections of leading libraries[383] promised to bring the timeless aspirations of enlightened societies within reach. The project offered the beginning of a new era for scholars, authors, and other users of recorded knowledge. For public domain works, users would be able to retrieve and download the full documents. For works still under copyright protection, Google would provide a few sentences surrounding the search term as well as information about where the work could be procured legally (publisher sites, bookstores, and libraries). Just a few years ago, the cost and time required to digitize and render searchable ten percent of the vast stock of written human knowledge was thought to be prohibitive. Yet Google committed to making extensive collections of some of the world's leading libraries available within less than a decade and without any public expenditure.[384]

Shortly after Google's announcement, leading publishers and authors complained that Google's project infringed their copyrights and requested that Google delay scanning any copyright protected works until an agree-

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[383] *See* Press Release, Google, Google Checks Out Library Books (Dec. 14, 2004), http://www.google.com/press/pressrel/print_library.html.

[384] Google projects that it can scan thirty-two million volumes in ten years time. Jeffrey Toobin, *Google's Moon Shot*, NEW YORKER, Feb. 5, 2007, at 30. While Google has not disclosed an estimated cost of scanning thirty-two million volumes, some estimate it will cost $750 million. Jonathan Band, *The Google Library Project: Both Sides of the Story*, 1 PLAGIARY 6, 13 (2006), *available at* http://quod.lib.umich.edu/p/plag/images/5240451.0001.002.pdf. Other estimates put the cost at as little as $10 per volume. Elisabeth Hanratty, *Google Library: Beyond Fair Use?*, 2005 DUKE L. & TECH. REV. 0010, ¶1 (2005), *available at* http://www.law.duke.edu/journals/dltr/articles/2005dltr0010.html.

ment could be negotiated.[385] The Authors Guild, followed shortly by five commercial publishers, brought suit alleging that Google's Book Search Project infringed their copyrights "by unlawfully reproducing and publicly distributing and displaying copies of such works."[386] The President of the American Association of Publishers asserted that while "Google Print Library could help many authors get more exposure and maybe even sell more books, authors and publishers should not be asked to waive their long-held rights so that Google can profit from this venture."[387]

Ironically, authors and publishers stand to gain tremendously from having their works indexed and searchable through Google's Book Project. Many publishers have authorized Google to include their works. Nick Taylor, a successful author and former president of the Authors Guild, offered the following vignette:

> Last fall, not long after the Authors Guild sued Google for copyright infringement in its library scanning program, an author approached me at a cocktail party. His name is Warren Adler, and he wrote The War of the Roses, among many other excellent novels. 'What you're doing is all wrong,' he said. By scanning our books, making them searchable online and providing links to bookstores, Google was letting people find them and perhaps buy them. Objecting to that kind of exposure was like objecting to sunlight on flowers. He was so committed to this point of view that he had had all of his books digitized and made available online.[388]

Taylor also invoked Google's General Counsel's point that information wants to be discovered. Nonetheless, he defended the lawsuit not as a way to stop Google's project, but rather as a way for authors to get paid.[389]

After eight years of costly litigation, it remains unclear whether the authors will get paid. What is clear is that the public's access to this valuable functionality has been delayed and authors and publishers have likely lost out on additional book sales.[390] Rather than endure further legal

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385 *See* Chris Gaither, *Google Puts Book Copying on Hold*, L.A. TIMES, Aug. 13, 2005, at C1 (noting that publishers felt an opt out option would not protect their copyrights).

386 Complaint at ¶38, McGraw-Hill Cos. v. Google, Inc., No. 05-CV-8881, 2005 WL 2778878 (S.D.N.Y. Oct. 19, 2005).

387 Press Release, Assoc. of Am. Publishers, Publishers Sue Google over Plans to Digitize Books (Oct. 19, 2005), available at http:// www.publishers.org/press/releases.cfm?PressReleaseArticleID=292.

388 *See* Nick Taylor, *Manges Lecture: The Prospects for Copyright in a Bookless World*, 30 COLUM. J.L. & ARTS 185, 187-88 (2007).

389 *See id.* at 188.

390 In November 2013, the district court ruled that the Google Books project constitutes fair use. *See* Authors Guild, Inc. v. Google Inc., 954 F. Supp. 2d 282 (S.D.N.Y. 2013). The case is currently on appeal to the Second Circuit. *See* Dara Kerr, *Authors Guild Appeals Decision in Google Books Copyright Suit*, C—NET (Dec. 30, 2013), http://news.cnet.com/8301-1023_3-57616380-93/authors-guild-appeals-decision-in-google-books-copyright-suit.

wrangling over whether Google's Book Search Project qualifies as fair use, Congress should confront the potential opportunities and risks of digital technology preemptively and directly to strike the appropriate balance between protection of works of authorship on the one hand and accessibility and preservation on the other.[391] By focusing on the economic, social, and cultural benefits of building a comprehensive publicly searchable database of literary and artistic works, Congress can effectuate the overarching purposes of "promoting progress" and preserving human knowledge without sacrificing the beneficial economic incentives afforded by copyright law. A carefully crafted safe harbor, with appropriate safeguards to prevent piracy of in-copyright works, would fuel markets for copyrighted works while making accessible the vast stock of knowledge to current scholars and authors and preserving the largest possible record for future generations.

c) Orphan Works

The functioning of the copyright system relies on the market not only to support primary creators, but also as a means of promoting cumulative creativity. Every generation of artists draws inspiration and borrows from those who came before. This is especially true in the digital age as a result of the extraordinary tools available for integrating and remixing prior creativity into new works. The fair use doctrine provides some leeway for such borrowing, but it is notoriously vague. What constitutes transformation is often in the eye of the beholder. And cumulative creators cannot easily gauge the perceptions of yet-to-be-determined judges or jurors. Furthermore, cumulative creators might want to go beyond that uncertain line, in which case they need permission from the copyright owner.

In order for such transactions to occur, the follow-on creator must be able to identify and communicate with the copyright owner. But due to the long duration of copyright and the absence of requirements to register and maintain copyright ownership records, locating the appropriate counter-party(ies) can be a costly, and in some cases, impossible task. This tracing difficulty has come to be known as the orphan work problem — works that might still be copyright-protected but for which the cumulative creator cannot, after a good faith effort, locate the rightful copyright owner to seek permission. It is particularly vexing for historians and documentary filmmakers who seek to use vintage photographs in telling the most vivid and accurate account. The problem also arises for rap and hip hop artists seeking to incorporate prior sound recordings. These cumulative creators face a stark choice: omit the work or run the risk of an owner

391 *See* Peter S. Menell, *Knowledge Accessibility and Preservation Policy for the Digital Age*, 44 Hous. L. Rev. 1013 (2007).

emerging and facing defense costs, possible injunctive relief blocking their entire integrated work, and potentially large statutory damages.

The Copyright Office has been exploring this issue for a long time,[392] but without tangible results. The impasse continues to plague the creative ecosystem and sends a disheartening message to new generations of creators.

The copyright system is often analogized to property systems. Those systems, however, not only create rights but also but also impose responsibilities on property owners.[393] Absentee owners risk loss of their rights. Copyright law needs to do the same. Scholars have proposed many constructive correctives, such as re-instituting formalities,[394] expanding immunities,[395] and developing a copyright analog to adverse possession.[396]

Advances in digital identification technologies over the past decade have created promising means for addressing the orphan work problem. These technologies have the ability to identify audio, textual, graphic, and visual works at low cost and with high precision. Audible Magic Corporation was among the first to develop sophisticated acoustic fingerprinting technologies. It now provides audio and content identification tools to companies seeking to track digital media and identify and block infringing content. Shazam offers an application that allows a mobile phone to identify almost any sound recording. YouTube's ContentID (AudioID and VideoID) system enables content owners to block, monetize, and track usage of their works within YouTube's expanding online ecosystem.

These technologies provide the framework for a universal copyright notification system. If all copyrighted works were digitized and registered, potential users of copyrighted works could employ relatively inexpensive and now commonplace optical scanning and audio devices to identify the copyright status of any registered work.

A mandatory copyright registration and digital deposit system would provide the foundation for a robust digital clearance system for copyright

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392 *See* Maria A. Pallante, *Orphan Works & Mass Digitization: Obstacles & Opportunities*, 27 BERKELEY TECH. L.J. 1251 (2012); U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS (Jan. 2006), *available at* http://www.copyright.gov/orphan/orphan-report.pdf.

393 *See* Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1, 52-144 (2004); Jacqueline Lipton, *Information Property: Rights and Responsibilities*, 56 FLA. L. REV. 135, 148 (2004).

394 *See* Christopher Sprigman, *Reform(aliz)ing Copyright*, 57 STAN. L. REV. 485 (2004).

395 *See* Lydia Pallas Loren, *Abandoning the Orphans: an Open Access Approach to Hostage Works*, 27 BERKELEY TECH. L.J. 1431 (2012).

396 *See* Katherine Moran Meeks, *Adverse Possession of Orphan Works*, 33 LOY. L.A. ENT. L. REV. 1 (2012-13).

owners and users.[397] Suppose, for example, that a documentary filmmaker was seeking to use photographic works of unknown provenance. Under a decentralized safe harbor regime (and assuming no actual knowledge of the photograph's copyright status and ownership), the filmmaker would scan the work using specified technology. If the scan did not produce a match, then she would be able to use the work without fear of injunctive relief.[398] Furthermore, the scan would reduce costs in locating true owners if a universal registration system were in place. As with other orphan work proposals, various forms of liability rules could be developed (ranging from zero to fair market value) to address any legitimate copyright holder who comes forward.

d) Operationalizing Fair Use

Copyright law's fair use is great in theory, but often unavailing in practice. The fair use doctrine recognizes "a privilege in others than the owner of the copyright"[399] constituting an implied consent by the author "to a reasonable use of his copyright works . . . as a necessary incident of the constitutional policy of promoting the progress of science and the useful arts."[400] The doctrine seeks to accommodate criticism, comment, news reporting, teaching, scholarship, and research, among other purposes. In practice, however, the doctrine's vague and subjective contours,[401] the lack of pre-clearance institutions,[402] financing and insurance concerns,[403]

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397 *See* Peter S. Menell & Michael J. Meurer, *Notice Failure and Notice Externalities*, 5 J. LEGAL ANALYSIS 1, 50-51 (2013).

398 This system could create some problems for low-resolution copies of works, but such concerns are likely to be manageable. Documentary filmmakers (and other users) have an incentive to obtain high quality versions of whatever they use. Although this system would not resolve fair use and bargaining breakdowns, it does resolve the problem of using untraceable works.

399 Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 549 (1985); *see* 17 U.S.C. § 107 (2012).

400 *Harper & Row, Publishers*, 471 U.S. at 549.

401 *See* 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 12.1, at 12:3 (3d ed. 2005) ("No copyright doctrine is less determinate than fair use."); David Nimmer, *The Fairest of Them All*, 66 LAW & CONTEMP. PROBS. 263, 263 (2003).

402 *See* Menell & Meurer, *supra* note 397, at 12, 24-25, 38.

403 *See* MICHAEL C. DONALDSON, CLEARANCE AND COPYRIGHT: EVERYTHING YOU NEED TO KNOW FOR FILM AND TELEVISION 29 (3d ed. 2008) (warning that "[e]ven documentaries, which are usually in the public interest, should not cavalierly incorporate uncleared footage from the films of others. Clear your film clips with a license or solid fair-use opinion from an attorney approved by the E&O [Errors and Omissions] insurance companies in advance because lawsuits are expensive. It can be even more expensive to

copyright's draconian remedial structure,[404] and the costs of litigation make it difficult for many creators to rely on fair use.[405] Thus, a familiar refrain in professional creative communities is "if in doubt, leave it out."

Fair use serves somewhat effectively in cases in which the uses are very modest and in a few distinct areas where the law is relatively clear.[406] But, by and large, the doctrine functions largely as a shield in litigation when defendants overlooked a potential clearance issue.[407]

Fair use is increasingly important for cumulative creativity in the Internet Age. Digital technology has empowered anyone to remix art and the Internet has opened vast content distribution channels. Creators no longer need to go through traditional professional gatekeepers — publishers, studios, broadcasters, and record labels. They can reach a massive audience through all manner of user-generated content websites. Most of such activity will fly under the radar. Nonetheless, the potential copyright liability exposure can be substantial. Moreover, some budding creators will want to determine the line between permissible and impermissible conduct. Thus, the time is ripe to develop constructive tools for creators to go beyond mere guesswork in evaluating copyright risks involved in incorporating copyrighted works in their cumulative projects.

No solution can quickly, costlessly, and accurately resolve fair use determinations, but there are many promising reforms that can better balance the competing interests than the present system: (1) a "Fair Use Board" to afford creators the opportunity to pre-clear uses or at least obtain some immunity for uses that were favorably vetted by an expert body;[408] (2) reduced remedies or immunity for use of orphan works;[409] (3)

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remove a section of your film at some point in the future if a court rules against you.").

404 *See* Molly Van Houweling, *Distributive Values in Copyright*, 83 TEXAS L. REV. 1535 (2005) (discussing the disproportionate impact of copyright remedies on independent artists)

405 *See* DONALDSON, *supra* note 403, at 29, 363-67; PATRICIA AUFDERHEIDE & PETER JASZI, UNTOLD STORIES: CREATIVE CONSEQUENCES OF THE RIGHTS CLEARANCE CULTURE FOR DOCUMENTARY FILMMAKERS (2004) (exploring the copyright-clearance challenges faced by documentary filmmakers); Nancy Ramsey, *The Hidden Cost of Documentaries*, N.Y. TIMES, (Oct. 16, 2005), http://www.nytimes.com/2005/10/16/movies/16rams.html (discussing the film *Tarnation*).

406 *See* Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009).

407 *See, e.g.*, David Kravetts, *Hangover Tattoo Infringement Lawsuit Settles*, WIRED (Jun. 22, 2011), http://www.wired.com/threatlevel/2011/06/tattoo-flap-settled.

408 *See* Michael W. Carroll, *Fixing Fair Use*, 85 N.C. L. REV 1087, 1123-27 (2007); David Nimmer, *A Modest Proposal to Streamline Fair Use Determinations*, 24 CARDOZO ARTS & ENT. L.J. 11, 12 (2006) (proposing a panel of "Fair

bright-line "fair use harbors" to provide assurance in particular settings;[410] (4) using fee-shifting as a means of penalizing copyright owners who unreasonably withhold consent or pursue dubious infringement actions;[411] and (5) adjusting damage awards to reflect the uncertainty surrounding fair use law.[412] None of these proposals achieves all of the goals, but each of them could make the fair use doctrine more operational. Many of the reforms would be complementary.

e) Experimental and Self-Expressive Use

Digital technology has vastly expanded everyone's ability to engage with copyrighted works in their daily lives. Anyone can express themselves and their appreciation or disgust with the creative works of others through various modes of social media. This has brought forth a tremendous amount and range of fan fiction, Web pages, videos, and other works that incorporate copyrighted material.[413] Such cumulative creativity runs smack into copyright law's right to prepare derivative works[414] as well as

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Use Arbiters" appointed by the Register of Copyright); *David A. Simon, Teaching Without Infringement: A New Model for Educational Fair Use*, 20 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 453, 527-50 (2010) (proposing a more limited institution focused on evaluating fair education uses of copyrighted works); Jason Mazzone, *Administering Fair Use*, 51 WM. & MARY L. REV. 395, 415-21 (2009) (proposing two models of administrative regulation of fair use).

409 *See* Joshua O. Mausner, *Copyright Orphan Works: A Multi-Pronged Solution to Solve a Harmful Market Inefficiency*, 12 J. TECH. L. & POL'Y 395, 398 (2007); Orphan Works Act of 2006, H.R. 5439, 109th Cong. (2006) (limiting remedies against users who "performed and documented a reasonably diligent search in good faith to locate the owner of the infringed copyright"); *cf.* REGISTER OF COPYRIGHTS, REPORT ON ORPHAN WORKS 95-112 (2006), *available at* http:// www.copyright.gov/orphan/orphan-report.pdf.

410 *See* Gideon Parchomovsky & Kevin Goldman, *Fair Use Harbors*, 93 VA. L. REV. 1483 (2007).

411 *See* Peter S. Menell & Ben Depoorter, *Using Fee Shifting to Promote Fair Use and Fair Licensing*, 102 CAL. L. REV. 53 (2014).

412 *See* Menell & Meurer, *supra* note 397, at 45-46.

413 *See* Steven A. Hetcher, *Using Social Norms to Regulate Fan Fiction and Remix Culture*, 157 U. PA. L. REV. 1869 (2009); Anupam Chander & Madhavi Sunder, *Everyone's a Superhero: A Cultural Theory of "Mary Sue" Fan Fiction as Fair Use*, 95 CAL. L. REV. 597 (2007); Rebecca Tushnet, *Legal Fictions: Copyright, Fan Fiction, and a New Common Law*, 17 LOY. L.A. ENT. L. REV. 651 (1997). *See, e.g.*, FANFICTION.NET, http://www.fanfiction.net (last visited Nov. 4, 2013); *Star Trek FanZines*, STAR TREK: THE ORIGINAL SERIES, http://www.sttos.net/sttos/eng/zines.php (last visited Nov. 4, 2013).

414 *See* 17 U.S.C. § 106(2) (2012). The Copyright Act defines "derivative work" broadly to include:

> a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture ver-

other so-called exclusive rights. The fact that social media can reach enormous audiences opens up such fan creativity to potentially significant liability.

The good news is that most copyright owners have not pursued the vast majority of fan creativity.[415] And for good reason. It is rarely a good idea to sue your customers.[416] In most contexts, fan fiction provides the owners of the original works with free online marketing and fan engagement. This sustains interest in the franchise[417] and increases demand for new works from the authorized source. Even putting aside the potential for adverse publicity, the cost of policing fan activity would be astronomical.

Many copyright owners draw the enforcement line at commercialization.[418] Lucasfilm pursues those who seek to commercialize Star Wars merchandise and other creative works.[419] Castle Rock Entertainment

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sion, 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".

See id. § 101.

415 *See* Edward Lee, *Warming up to User-Generated Content*, 2008 U. ILL. L. REV. 1459 (2008).

416 *See, e.g.*, Kieren McCarty, *Warner Brothers Scraps Harry Potter Legal Actions: Regrets Any Misunderstandings*, THE REGISTER (Mar. 19, 2001) (reporting that "Warner Brothers appears to have extended the olive branch to the operators of all Harry Potter fan sites, following its decision to withdraw from legal action against [a fifteen-year-old fan]"), http://www.theregister.co.uk/2001/03/19/warner_bros_scraps_harry_potter.

417 In 2007, Lucasfilm released tools to support fan-created remixes. Jeffrey Ulin, one of Lucasfilm's attorneys, explained that the mash-ups are "part of keeping the love of 'Star Wars' and the franchise alive. We're really trying to position ourselves for the next 30 years." *See* Sarah McBride, *Make-It-Yourself "Star Wars": Lucasfilm Will Post Clips From Film Saga on the Web, Inviting Fans to Edit at Will*, WALL. ST. J. (Mar. 24, 2007), http://online.wsj.com/news/articles/SB117997273760812981.

418 *See id.* (noting that Lucasfilm pursues those who seek to commercialize *Star Wars* merchandise and other creative works); *see, e.g.*, Press Release, Lucasfilm Ltd., Lucasfilm Ltd. Wins Major Copyright Infringement Lawsuit Against Star Wars Stormtrooper Pirate (Oct. 11, 2006), http://www.lucasfilm.com/press/news/news20061011.html; Lucasfilm, Ltd v Media Market Group, Ltd 182 F. Supp. 2d 897 (N.D. Cal. 2002) (seeking to block a pornographic parody of *Star Wars*).

419 *See, e.g.*, Press Release, Lucasfilm Ltd., Lucasfilm Ltd. Wins Major Copyright Infringement Lawsuit Against Star Wars Stormtrooper Pirate (Oct. 11, 2006), http://www.lucasfilm.com/press/news/news20061011.html; Lucasfilm, Ltd v Media Market Group, Ltd 182 F. Supp. 2d 897 (N.D. Cal. 2002) (seeking to block a pornographic parody of *Star Wars*). (Full disclosure: I served as an expert witness on U.S. copyright law in the U.K. enforcement action.

took action against the author and publisher of book containing trivia questions about the Seinfeld show.[420] Warner Bros sued Steven Vander Ark and the publisher of "The Lexicon," an encyclopedia of Harry Potter trivia.[421]

Copyright law's default rules should be reformed to insulate fans from liability for expressive, non-commercial activities. While express and tacit support for such engagement by major media companies has eased concerns about copyright infringement, a formal statutory safe harbor for non-commercial fan fiction and related activities (e.g., fan sites, Pinterest) would encourage more such activity as well as send an affirming message to new and existing generations of fans. The fair use doctrine does not provide clear enough authorization for this activity.

More generally, the copyright law ought to authorize, or at least cabin or eliminate statutory damages with respect to, non-commercial educational and experimental uses of copyrighted works. Often the best way to learn a musical instrument or develop artistic or creative writing skill is to imitate the works of others. Yet these acts, if publicly performed or recorded and uploaded to a social media website, create risk of copyright liability. The past decade indicates that copyright owners need not worry about these uses. Fan fiction has enriched their coffers. More importantly, there is no better way to promote progress than to nurture artistic, musical, and literary skills among the next generation of creators.

f) Photography of Public Art

Copyright's broad protection of pictorial, graphic, and sculptural works[422] creates tension that makes little sense in a world in which much of the population is equipped with a phone camera that enables them to shoot photographs and video and immediately post them to all manner of social networking websites.[423] Anyone ought to be able to photograph

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Lucasfilm prevailed in its effort to enforce the U.S. judgment against a prop maker from the first Star Wars film who started selling storm trooper costumes. Nonetheless, the U.K. Supreme Court denied Lucasfilm relief under the U.K. law on the ground that the costumes constituted industrial designs, protection for which expires after twenty-five years. *See* Lucasfilm, Ltd v. Ainsworth, [2011] UKSC 39).

420 *See* Castle Rock Entm't, Inc. v. Carol Publ'g Group, 150 F.3d 132 (2d Cir. 1998).

421 *See* Warner Bros. Entm't, Inc. v. RDR Books, 575 F. Supp. 2d 513 (S.D.N.Y. 2008).

422 *See* 17 U.S.C. §§ 101 (definition of "pictorial, graphic and sculptural works"), 102(a)(5) (2012).

423 *See* Bryce Clayton *Newell, Freedom of Panorama: A Comparative Look at International Restrictions on Public Photography*, 44 CREIGHTON L. REV. 405 (2011).

their friends and family near public art and post the image on Facebook without risk of liability. Although fair use would likely govern these situations, copyright law ought to provide a clear carve-out.

Motion picture studios have long agonized over shooting "on location" out of concern for inadvertently capturing publicly viewable copyrighted works and having to fend off a lawsuit. The producers of Batman Forever learned this lesson the hard way when the artist who designed a streetwall and courtyard space sued for depiction of this "sculptural work" in the background of a few scenes in the film.[424] Although sculptors and billboard artists rarely pursue such claims — likely due to copyright's de minimis and fair use doctrines[425] — the lack of a clear statutory exclusion for such activities imposes significant costs on the public and motion picture studios without any discernible benefit in terms of the incentives to create public art.

An analogous exemption was expressly built into copyright law when the U.S. extended protection to architectural works in 1990.[426] Section 120(a) provides:

> Pictorial Representations Permitted. The copyright in an architectural work that has been constructed does not include the right to prevent the making, distributing, or public display of pictures, paintings, photographs, or other pictorial representations of the work, if the building in which the work is embodied is located in or ordinarily visible from a public place.[427]

The legislative history explains that:

> [t]hese uses do not interfere with the normal exploitation of architectural works. Given the important public purpose served by these uses and the lack of harm to the copyright owner's market, the Committee chose to provide an exemption, rather than rely on the doctrine of fair use, which requires ad hoc determinations.[428]

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424 *See* Leicester v. Warner Bros., 232 F.3d 1212 (9th Cir. 2000) (presenting a cautionary tale in which .)

425 *See* Davis v. The Gap, Inc., 246 F.3d 152, 173(2d Cir. 2001) (observing that "[t]he *de minimis* doctrine is rarely discussed in copyright opinions because suits are rarely brought over trivial instances of copying"); Pierre N. Leval, *Nimmer Lecture: Fair Use Rescued*, 44 UCLA L. Rev. 1449, 1457-58 (1997) (noting that certain questions fall in the category of "[q]uestions that never need to be answered. If [they] did need to be answered, I believe the answer would be provided by the doctrine of *de minimis non curat lex* . . . .").

426 *See* Architectural Works Copyright Protection Act, Pub. L. No. 101-650, § 706, 104 Stat. 5133 (1990) (codified at 17 U.S.C. §§ 101, 102(a), 106, 120, 301(b)).

427 17 U.S.C. § 120(a) (2012).

428 *See* H.R. Rep. No. 101-735 (1990) (Copyright Amendments Act of 1990), *reprinted in* 1990 U.S.C.C.A.N. 6935, 6953.

The House Report notes the benefits to tourism,[429] scholarly research,[430] and general public interest[431] and that it would not appreciably affect incentives to create the artistic work.[432]

Congress should extend this exemption to photographing any publicly viewable art, perhaps subject to the limitation that the photographer is not making commercial use of a non-transformative reproduction — such as selling faithful reproductions as posters.[433] Museums and other institutions would retain the ability to restrict photography on their premises, but the permissibility of photographing in public spaces — which most people assume — would be codified in copyright law.

g) Remix Compulsory License

Even before digital technology spawned revolutionary changes in the distribution of copyrighted works, it supplied extraordinary tools for creating new works of authorship. Rap, Hip Hop, and Mash-up genres of music owe much to digital technology — synthesizers, drum machines, samplers, and music workstations.[434] As reflected in my "My Generation's" fascination with mix tapes, the human desire to combine and remake predates digital technology. The development of synthesizers and sampling machines unleashed entirely new creative genres.

Hip Hop music traces its roots back to 1970s era DJs using dual turntables. Electronic dance music, disco, and industrial music followed in the 1980s. By the late 1980s, rap artists were appropriating samples as the

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429 *See id.* (noting that "[m]illions of people visit our cities every year and take back home photographs, posters, and other pictorial representations of prominent works of architecture as a memory of their trip").

430 *See id.* (noting that "numerous scholarly books on architecture are based on the ability to use photographs of architectural works").

431 *See id.*; *see also Architectural Design Protection: Hearing on H.R. 3990 and H.R. 3991 Before the Subcomm. on Courts, Intell. Prop., and the Admin. of Justice of the House Comm. on the Judiciary*, 101st Cong. 70-71 (1990) (statement of Ralph Oman, Register of Copyrights and Associate Librarian of Congress for Copyright Services) (noting that pictorial representations of architectural works "serve a valuable public interest").

432 *See id.* (noting that pictorial uses "do not interfere with the normal exploitation of architectural works" and "the lack of harm to the copyright owner's market"); *cf.* Balganesh, *supra* note 212 (arguing for copyright law to consider foreseeability in analyzing the scope of copyright protection).

433 *See* Andrew Inesi, *Images of Public Places: Extending the Copyright Exemption for Pictorial Representations of Architectural Works to Other Copyrighted Works*, 13 J. INTELL. PROP. L. 61, 86-89 (2005).

434 *See Sampler (musical instrument)*, WIKIPEDIA, http://en.wikipedia.org/wiki/Sampler_(musical_instrument) (last visited Nov. 4, 2013); *Remix*, WIKIPEDIA, http://en.wikipedia.org/wiki/Remix (last visited Nov. 4, 2013).

background for their poetic flourishes. Hip hop grew out of and expanded the genre.

Remixed music does not fit comfortably within copyright law's "exclusive rights" regime. In what has been referred to as the "golden age of sampling,"[435] spanning from roughly 1987 to 1992, American Hip Hop music gained a foothold in the culture without attracting much scrutiny from owners of the copyrighted works being sampled.[436] It was an underground genre that did not attract much notice from the major labels. But with its growing success, record labels began to take notice and the "golden age" came to a close with copyright lawsuits and demand letters.[437] The era of unrestrained sampling passed even as the Hip Hop genre went mainstream. The major labels acquired and developed Hip Hop sub-labels and developed customs and practices for licensing digital samples.[438] Many Hip Hop entrepreneurs welcomed commercial opportunities.[439]

The extra layer of negotiation imposed by seeking copyright permission, however, constrained the genre and many of the pioneers left or altered their sampling practices to live within copyright law's "exclusive rights" constraints. Based upon extensive interviews, Kembrew McLeod and Peter DiCola concluded that "[b]y the 1990s, high costs, difficulties negotiating licenses, and outright refusals made it effectively impossible for certain kinds of music to be made legally, especially albums containing hundreds of fragments."[440]

But as Napster demonstrated, America's cultural freedom is not so easily cabined. Telling artists that they cannot do something likely propelled further hacking of the copyright system. Within a few years, Gregg Gillis, who performs under the name "Girl Talk," was building a following

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435 *See* MCLEOD & DICOLA, *supra* note 213, at 19-26.

436 Robert Levine, *Steal This Hook? D.J. Skirts Copyright Law*, N.Y. TIMES, Aug. 7, 2008, at E1 (noting that the Beastie Boys and Public Enemy introduced their sampled compositions "when record companies were paying less attention to these legal issues").

437 The Sixth Circuit's dubious interpretation of the Copyright Act in *Bridgeport Music, Inc. v. Dimension Films*, 383 F.3d 390 (6th Cir. 2004), concluded with the admonition: "Get a license or do not sample." *See id.* at 398.

438 Major record labels began signing Hip Hop artists as they developed fan bases. *See Def Jam Recordings*, WIKIPEDIA, http://en.wikipedia.org/wiki/Def_Jam_Recordings (last visited Nov. 4, 2013). The most successful Hip Hop artists were given sub-labels within the major record label umbrellas. *See, e.g.*, *Aftermath Entertainment*, WIKIPEDIA (describing Dr. Dre's sub-label within Universal Music Group).

439 *Cf.* Susan Berfield, *The CEO of Hip Hop*, BUS. WK., Oct. 27, 2003, at 90, *available at* http://www.businessweek.com/stories/2003-10-26/the-ceo-of-hip-hop.

440 *See* MCLEOD & DICOLA, *supra* note 213 at 28.

entirely outside of the copyright system. His first album, Secret Diary, appeared in 2002 on the Illegal Art label.[441] His break-through third album, Night Ripper (2006), would go on to critical acclaim[442] and earned a Wired Magazine Rave Award.[443]

> Just when it seems like mashups are played out — or playing dead, thanks to litigious record labels — along comes Girl Talk (née Gregg Gillis). For last year's album Night Ripper, the laptop mixologist used more than 250 samples from 167 artists. Raps by Ludacris rub up against a Boston riff, the Ying Yang Twins whisper over the Verve's 'Bittersweet Symphony.' As the album became an indie sensation, Gillis resigned himself to the inevitable cease-and-desist order. But it never materialized. 'Labels are starting to realize that something like Night Ripper isn't going to hurt their artists,' Gillis says. 'If anything, it will promote them.' Gillis is also famous for his uninhibited live shows — on YouTube, you can watch him crowdsurfing and stripping down to his skivvies between sessions spent pounding the keyboard of his Toshiba Satellite M115 laptop. And while the 25-year-old from Pittsburgh still has a day job as a biomedical engineer, he's also remixing tracks for major-label artists and planning his next album. 'I'm jumping on a plane to London to do a show with Beck and flying back to get in the cubicle Monday morning. It's pretty bizarre.'[444]

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441 *See Illegal Art*, WIKIPEDIA, http://en.wikipedia.org/wiki/Illegal_Art.

442 *See* Sean Fennessey, *Girl Talk: Night Ripper (Illegal Art; 2006)*, PITCHFORK (Jul. 17, 2006), http://pitchfork.com/reviews/albums/9208-night-ripper (noting that "the idea that two songs blender-ized can recombine to create something wholly new is thrilling in theory, but the execution is usually sloppy or samey, either simply aligning two similar beat structures or pairing up two completely disparate tracks for the slapstick novelty of a jokey title," and then praising *Night Ripper* for "cram[ing] six or eight or 14 or 20 songs into frenetic rows, slicing fragments off 1980s pop, Dirty South rap, booty bass, and grunge, among countless other genres. Then he pieces together the voracious music fan's dream: a hulking hyper-mix designed to make you dance, wear out predictable ideas, and defy hopeless record-reviewing").

443 *See* Angela Watercutter, *The 2007 Rave Awards: Music: The Synthesizer – Gregg Gillis — Girl Talk*, WIRED (Apr. 4, 2007), http://www.wired.com/culture/lifestyle/multimedia/2007/04/ss_raves?slide=10.

444 *See id.* My reproduction of the entirety of the *Wired* review may well exceed the fair use privilege. But including it in a scholarly work that amplifies the theme of remixing copyright law to better accommodate the Internet Age hopefully has a transformative character. And does Wired magazine want to pursue such an action? It seems to cut against a lot of their editorializing, but they could then feature our case in their "Threat Level" feature. *See Threat Level: Privacy, Crime and Security Online*, WIRED, http://www.wired.com/threatlevel. I'll run the risk.

The Pitchfork review of Night Ripper concludes ominously: "[d]ue to its overwhelming number of unlicensed sources, Night Ripper is practically begging for court drama."[445]

Gregg Gillis would give up his day job the following year and has enjoyed an extraordinary music career entirely outside of the copyright system.[446] Many other remix artists have followed his example, producing an entire musical genre that flourishes outside of copyright law's permission-based practices. Recording artists and record labels complain about such defiance, but few have been willing to test the limits of fair use. Remix artists earn their primary income from live shows. Copyright owners and remix artists have achieved a detente of sorts. One of the effects, however, has been to marginalize the copyright system and further reduce its relevance for the post-Napster generations.

This equilibrium strikes me as better than the nuclear option (mass litigation) and the lock down option (every use requiring permission), but suboptimal in a variety of respects. As a fan of Girl Talk's remixes, I appreciate both his creativity and the creativity of works on which his compositions are built. Both contribute value. In an idealized intellectual property system featuring cumulative creativity, society would likely share consumers' willingness to pay among the creative inputs.[447] But therein lies the rub. When we have a tremendous number of parties, each possessing "exclusive rights," the transaction costs skyrocket.[448] We experienced such a system following the wave of copyright sampling cases in the early to mid 1990s and it constrained the creative ecosystem. Artists like Girl Talk have thrived only by exiting the system entirely.

A compulsory license for remix music potentially offers an attractive solution for all parties. Such a regime would not resolve the inevitably case-specific fair use questions, but it could offer a sweet spot in which copyright owners, remix artists, and fans could participate in a market-

445 *See* Fennessey, *supra* note 442.

446 *See* D.X. Ferris, *Gregg Gillis Talks About the Continuing Popularity of his Mashup Project, Girl Talk*, RIVERFRONT TIMES (Jan. 13, 2011), http:// www .riverfronttimes.com/2011-01-13/music/girl-talk-interview-2011-gregg-gillis-tour-dates-st-louis-pageant; Zachary Lazar, *The 373-Hit Wonder*, N.Y. TIMES MAG., Jan. 9, 2011, at 38 (noting that when Gillis released his latest album *All Day* for free download on the Internet, extremely heavy download traffic led to server crashes and headlines on MTV stating "Girl Talk Apologizes for Breaking the Internet").

447 *See* PETER S. MENELL & SUZANNE SCOTCHMENT, INTELLECTUAL PROPERTY LAW 1476, 1499, HANDBOOK OF LAW AND ECONOMICS (A. Mitchell Polinsky & Steven Shavell eds. 2007).

448 *See* MICHAEL HELLER, THE GRIDLOCK ECONOMY: HOW TOO MUCH OWNERSHIP WRECKS MARKETS, STOPS INNOVATION, AND COSTS LIVES (2008).

based system for more fairly allocating value among creators.[449] Such a system could provide a sustainable and adaptable ecosystem for promoting art and commerce.

I envision such a system as an expansion of the Copyright Act's § 115 cover license which permits anyone to record a musical composition that has previously been distributed to the public under the authority of the copyright owner upon the payment of a compulsory license determined by a formula specified in the statute. The current rate in 9.1¢ for a standard (five minutes or less) length song, with escalations for longer songs.[450] The remix compulsory license would need to go well beyond the § 115 license in several respects. First, it would have to afford remix artists the opportunity to alter the work.[451] Secondly, it would need to license the sound recording as well as the musical composition.

Under a hypothetical Remix Compulsory License Act (RCLA), a remix artist seeking to develop a sound recording that comprises more than five existing sound recordings would be eligible for a compulsory license by paying 18.2¢ for a five-minute song (or less; with escalations for longer songs) into the RCLA Fund. The basic idea is that the remixer would be building his or her work on both musical composition and sound recording works and hence the baseline for the entire work should be double the musical composition cover license rate. By making the compulsory license rate 100% of the baseline for just the musical composition copyright, the remixer would effectively be credited with half of the total value of the remixed work (assuming that the musical composition and sound recording copyrights were treated symmetrically). Thus, by paying 18.2¢, the remixer could clear all sample licenses needed for a mashup of five minutes (or less).

In order to obtain the compulsory license, the remix artist would be required to register the remixed work with the Copyright Office along with a detailed, per second explication of what prior musical compositions and sound recordings were used. The Copyright Office would, through notice and comment rulemaking, develop a formula for dividing revenue among the musical composition and sound recording owners. (The Copyright Office would also work with the music publishing and sound recording industries to develop a comprehensive database of protected works

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449 *Cf.* Menell & Depoorter, *supra* note 411 (noting that creative artists typically care most about expressive freedom and getting their projects accomplished; and that many would prefer fair licensing over uncertain and costly litigation).

450 *See* U.S. Copyright Office, Mechanical License Royalty Rates (rev. Jan. 2010), *available at* http://www.copyright.gov/carp/m200a.pdf.

451 Section 115 does not permit cover artists to change the "basic melody or fundamental character of the work." *See* 17 U.S.C. § 115 (2012).

and tools for identifying owners of tracks that are sampled.) SoundExchange - which administers statutory licenses for sound recording copyrights and allocates revenues - would be responsible for allocating the RCLA Fund to eligible musical composition and sound recording owners.

In order to make this new regime effective, the RCLA would create some categorical fair use safe harbors and limitations. For example, the RCLA might categorically exempt any sample of less than five seconds from liability. The purposes of these fair use safe harbors and limitations would be to channel remix artists and consumers into a market for remix music.

I had the opportunity to test this proposal last spring. I was invited to moderate a panel on "Sampling, Mixes, & Mashups."[452] We were fortunate to have not just the usual suspects — law professors and practicing attorneys — but two successful DJs who perform under the stage name "Rock-It! Scientists."[453] With some trepidation, I tossed out the RCLA proposal to the DJs. They said that the model "would be appealing" to them; "it would be a direction for the industry to go."[454]

I don't want to suggest that RCLA would perfectly resolve the ethical, economic, and legal issues surrounding remix music. As things stand, DJs operate in a legal limbo and have found some profitable niches in the live performance marketplace. Traditional composers and recording artists don't see direct compensation for this use of their work and complain about the distortion of their work,[455] yet they might enjoy some promotional benefits from having back catalog music discovered by new generations. Record label marketing staffs are operating in the background, feeding tracks to DJs and websites to promote label-released music. Music fans are gravitating away from copyright-based markets and developing norms and practices that undermine the legitimacy of copyright protection.

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452 *See* 2013 Symposium: *Copyright in the Digital Age*, STANFORD TECHNOLOGY LAW REVIEW, http://stlr.stanford.edu/symposia/2013-copyright-digital-age (last visited Nov. 4, 2013).

453 *See* ROCK-IT! SCIENTISTS, http://therockitscientists.com (last visited Nov. 4, 2013).

454 For a video of the panel, see *STLR Symposium: Digital Copyright — Sampling, Mixes, & Mashups*, YouTube (Mar., 26, 2013), http://www.youtube.com/watch?v=u6uzlvhEs0U. My presentation of the proposal can be found in the segment beginning at 7:01 and running to 11:09. The colloquy about the proposal can be found at 1:21:00 to 1:26:27. I also recommend the DJs' discussion of how the major record labels tacitly support their works as a means of promoting their own releases. *See* segment from 1:15:34 to 1:21:00.

455 *Cf.* Elizabeth Adeney, *The Sampling and Remix Dilemma: What Is the Role of Moral Rights in the Encouragement and Regulation of Derivative Creativity?*, 17 DEAKIN L. REV. 335 (2012).

Many scholars have come to see all remix art as fair use.[456] While I recognize the transformative aspect of this work, I worry that society risks losing a balanced ecosystem for fairly supporting and promoting the full range of creative inputs.[457] The blanket license system that developed for licensing musical compositions to radio broadcasters and other public performance institutions contributed to the flourishing of musical creativity.[458] My hope in proposing the RCLA is that an analogous approach could provide a framework for constructive dialogue among all of the affected communities — traditional songwriters and recording artists, remix DJs, record labels, and music fans — about how to best promote creativity and creative freedom in the Internet Age.

h) Enhanced Penalties for Abuse of the Notice and Takedown System

The other side of the enforcement coin concerns abuse of the notice and takedown system. The DMCA afforded web users a cause of action for damages, including costs and attorneys' fees, incurred by the alleged infringer as a result of a knowing and material misrepresentation that material posted to a website is infringing.[459] Unfortunately, this right has proven to be ineffective as a practical matter. Although the federal court rejected Universal Music Group's argument that it need not consider whether a use is fair in order to vindicate this right in Stephanie Lenz's action against Universal Music Group in the dispute regarding her dancing baby,[460] the resulting litigation costs and modest remedies warn off those unfairly accused of infringing copyright law from pursuing a misrepresentation claim.

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456 *See* Kerri Eble, *This Is a Remix: Remixing Music Copyright to Better Protect Mashup Artists*, 2013 U. ILL. L. REV. 661 (2013); LAWRENCE LESSIG, REMIX: MAKING ART AND COMMERCE THRIVE IN THE HYBRID ECONOMY 14 (2008).

457 *Cf.* Robert M. Vrana, *The Remix Artist's Catch-22: A Proposal for Compulsory Licensing for Transformative, Sampling-based Music*, 68 WASH. & LEE L. REV. 811 (2011).

458 *See* SANJEK & DAVID, *supra* note 184; *Robert P. Merges, Contracting into Liability Rules: Intellectual Property Rights and Collective Rights Organizations*, 84 CAL. L. REV. 1293, 1328-35 (1996) (explaining that "ASCAP's rise paralleled the growth of radio, and later television. From its original 9 members, the membership grew to 1,000 composers in 1941, 3,000 in 1958, 17,800 composers and 4,800 publishers in 1977, and over 31,000 composers and approximately 24,000 publishers [by 1996]").

459 *See* 17 U.S.C. § 512(f) (2012).

460 *See* Lenz v. Universal Music Corp., 572 F. Supp. 2d 1150 (N.D. Cal. 2008) (rejecting copyright owner's motion to dismiss on the grounds it was not required to consider the fair use doctrine in filing a takedown notice).

Just as copyright law saw statutory damages as an appropriate tool for addressing under-enforcement of copyright protection and as a means to deter infringement, the argument can be made that copyright law ought to provide enhanced penalties in order to deter improper takedown notices. Perhaps Congress should extend the same enforcement tools that it uses in § 504(c) — enabling victims of improper takedown requests to obtain up to $150,000 per improper takedown notice.

As much as my sixteen-year-old alter ego might love such a vindictive approach, I do not seriously propose imposing on copyright owners such an untethered damage remedy. But I do think that this thought experiment illustrates the imbalance of the present copyright enforcement regime. Congress should revisit statutory damages with an eye towards channeling consumers into the marketplace and discouraging copyright owners from chilling free speech and self-expression.

Copyright owners ought to be leading the charge to extend such an olive branch. Their industries are hurt and the reputation of the copyright system tarnished when companies pursue ridiculous takedown efforts. Content industries would gain far more in good will than they would lose in verdicts from such a change in the law.

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This set of proposals would offer hope to future generations of creators that copyright protection supports their desires while minimizing transaction costs and affording copyright owners fair compensation for their contributions to cumulative creativity. It also affords members of the public the ability to express themselves and engage with content without risk of liability. As the next section explores, some of the most promising and complementary adjustments to content ecosystems must come from changes in the content marketplace.

B. Market-Based Solutions

The past decade established that legal sanctions alone cannot achieve compliance with copyright law.[461] In fact, aggressive enforcement may well have backfired.[462] Nor does "educating" consumers seem to be much

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461 *See* Tyler, *supra* note 135, at 220, 234 (observing that the difficulties concerning gaining compliance with intellectual property law are typical of the problems involved in a wide variety of areas"; and that "reliance upon threats of punishment to enforce intellectual property laws is a strategy that is likely to be ineffective"); *see generally* TYLER, *supra* note 135.

462 *See* Depoorter, Van Hiel, & Vanneste, *supra* note 88, at 1283-89; Svensson & Larsson, *supra* note 88; Ingram & Hinduja, *supra* note 88; Feldman & Nadler, *supra* note 88; Depoorter & Vanneste, *supra* note 88; Justin Hughes, *On the Logic of Suing One's Customers and the Dilemma of Infringement-Based*

good either.[463] The legislative proposals that I have sketched are not ends unto themselves but rather more appropriate enforcement tools and default rules aimed at channeling consumers into robust markets for expressive creativity. In order to achieve these ends, however, the marketplace, social norms, and technological advance must pull in complementary directions.

Competition, technological advance, and market response to technological, social norm, and cultural disruption have spurred tremendous marketplace changes over the course of the past decade. Once the recording industry came to realize that it could not dictate the terms and conditions of digital channels, record labels and music publishers began to license a growing variety of online services. Many film and television copyright owners have expanded online availability of their works. These initiatives have vastly expanded the content marketplace and there is renewed optimism in content industries.

Yet there is still a tremendous amount that can be done to welcome the post-Napster generation to the marketplace. As explored earlier, there are inherent structural impediments to achieving a robust, user-friendly, and fair (to creators) marketplace — the dual vise of the music industry and film industry windowing orientation. Consumers will be more willing to participate in a marketplace that fairly rewards creators and affords easy access to what is already available on illegal websites.[464]

Business Models, 22 CARDOZO ARTS & ENT. L.J. 725, 731-35 (2005) (discussing the music industry's lawsuits against individual consumers and their effect on deterring infringement and increasing awareness of copyright law); Steven A. Hetcher, *The Music Industry's Failed Attempt to Influence File Sharing Norms*, 7 VAND. J. ENT. L. & PRAC. 10 (2004); Tom R. Tyler & John M. Darley, *Building a Law-Abiding Society: Taking Public Views About Morality and the Legitimacy of Legal Authorities into Account When Formulating Substantive Law*, 28 HOFSTRA L. REV. 707 (2000).

463 A comprehensive study of piracy across a broad range of nations concluded that:

> [w]e see no evidence that [clarifying for students that file-sharing of copyrighted music is piracy] will have any impact on practices. We see no real 'education' of the consumer to be done. . . . Efforts to stigmatize piracy have failed. . . . Although education is generally presented as a long-term investment in counteracting these attitudes, the lack of evidence for their effectiveness is striking.

See SOC. SCI. RESEARCH COUNCIL, MEDIA PIRACY IN EMERGING ECONOMIES 33-34 (Joe Karaganis ed., 2011).

464 *See* Tyler, *supra* note 135, at 234 (emphasizing the need "to create a moral climate that clearly associates various forms of intellectual property law with public morality"); Danwill David Schwender, *Reducing Unauthorized Digital Downloading of Music by Obtaining Voluntary Compliance with Copyright Law Through the Removal of Corporate Power in the Recording Industry*, 34 T. JEFFERSON L. REV. 225 (2012).

Moreover, by re-plumbing revenue flows in the content industries fairly, content industries can look to recording artists to promote these platforms. As things stand, artists do not see much point in advocating services that do not provide them with much compensation. In a more robust marketplace with money flowing to artists in proportion to consumer demand, creators can then focus their energies on their art and consumers and not on advertisers. It would produce a virtuous, self-reinforcing ecosystem. Intermediaries could earn more as the pie grows, although less as a percentage. New artists would see the potential for sustainable livelihoods tied to their ability to attract fans.

Thus, the next major breakthrough in building online content markets needs to come from establishing a transparency between creators and consumers and improving the accessibility of digital content. Structural impediments to these objectives undermine the overall economic performance of the content industries. This last section confronts these enormous challenges with two provocative, and hopefully constructive, approaches.

1. The Grand Kumbaya Experiment

Act II closed with the image of a dual vise in which creators are squeezed between fans who do not participate in critical content markets and rapacious record labels that minimize artists' share of the revenue pie. Even as extraordinary new technologies for accessing music online have become available, a vicious cycle has emerged in which some of the most popular artists have pulled their music. Moreover, artists have seen little reason to promote these platforms and some have denigrated them. The messages to consumers are: "The only reason to participate in these markets is because their convenience is worth the price"; "Don't expect artists to see any real income from your participation in the marketplace"; and "Copyright protection doesn't promote art, it merely enriches greedy corporations."

While overreaching by record labels was certainly true for "My Generation," record labels actually did more to support the creative environment in that technological age. They produced and recorded albums, manufactured product, marketed music, and distributed records. They orchestrated a complex supply chain, justifying a relatively large share of revenue. As noted in Act I, "My Generation" did not have much choice about whether to participate in the marketplace. If we wanted a record, we had to go through an authorized channel — whether a record store or a record club.

The recording industry still controls the online marketplace not because they carry out many of the essential economic functions of the sup-

ply chain[465] but because of the immense power that the legacy catalog confers. No online service can achieve economic viability without licenses to a substantial portion of the legacy collection. Even young fans want to be able to stream the classics. And through this power, the major record labels have structured online royalties in such a way that their own artists but also independent artists are unlikely to see a fair share.

I realize that the concept of "fairness" is vague and subjective. What I am trying to get at is how the economic services would be valued in a truly competitive marketplace. Record labels used to have a primary role in that marketplace. An upstart artist had no chance of reaching a broad marketplace without a partner who could fund and produce a master recording, manufacture copies, market the recording and get radio air play, and ensure that there were sufficient units available in record stores at the time that the recording hit the air waves. Digital technology has largely eliminated most of those functions, which should mean two things: (1) the cost of recorded music should fall; and (2) the share going to the artist should rise. The former has come to fruition. The real cost of music has fallen substantially over the past several decades. But the latter ramification has not materialized. If anything, things have gotten worse.

A second critical economic point is that the total size of the pie depends on consumers' perception of fairness. Compliance with the law — which translates into participation in authorized online content markets — depends on consumers' views regarding the morality and legitimacy of the economic system. This is particularly true for online information goods which consumers can easily acquire illicitly.

Structural features of the music marketplace have stranded artists, labels, and consumers in a sub-optimal equilibrium. Many consumers remain outside of the marketplace — gaining music through file-sharing and assuaging any guilt with the thought that the artist would not see any significant compensation from the fan's participation in the marketplace. Artists see little economic return for their efforts and labels' revenues are depressed. Pundits tell consumers that the answer lies in concert tickets, advertising, and merchandise; freeconomics is the opiate of the masses. Yet the most valuable form of musical enjoyment — passive, on-demand streaming through portable devices — largely goes uncompensated.

The solution — even for record labels — lies in introducing fairness to artists into the online music marketplace. What artists, record labels,

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[465] Artists today will typically produce and deliver the final product to a record label. Labels specialize in marketing. They have shifted to 360 deals as a way of controlling more of the total music revenue. Many artists go without major label representation. Unfortunately, they face the copyright/Internet paradox, see *supra*, Section II(C), and the power that major labels exercise over online music services.

and technology companies have not recognized is that by failing to achieve a more equitable and transparent system for pricing and distributing revenue, society cannot reach the ideal point: widely adopted and fairly priced services that attract the vast numbers of consumers who enjoy recorded music. Such an equilibrium would stanch the piracy problem while alleviating pressure for punitive copyright remedies. As the post-Napster generation joins balanced content services, the problems that have been plaguing the content and technology companies subside.

Re-structuring the economic terms of trade in the music industry could potentially lift all boats. If artists could get a reasonable share of income from new services, consumers could be more readily enticed to the marketplace. Consumers could feel better about their market participation. Artists would start seeing serious income to the extent that fans streamed their songs. Labels would see greater income, even as their share of the pie were to fall. Technology companies would see a lessening of pressures to ramp up copyright enforcement. If online digital services could grow from the anemic levels of today[466] by an order of magnitude — from 6 million paid subscribers to 60 million — then there would be more than enough for everyone to celebrate. And the enforcement concerns would recede.

The potential for re-shaping the music marketplace could be gauged through what I will call the "Grand Kumbaya Experiment." What I have in mind is an Internet pledge of support for re-negotiating the revenue split between labels and artists if, and this is a big "if," a large segment of consumers committed to participating in a state-of-the-art music service that fairly compensated artists. The technology for enabling consumers to have access to the full music catalog through a range of user-friendly devices now exists, as Spotify has demonstrated. What is lacking is an equitable way of distributing the revenues.

Interested consumers would go to a website to sign the pledge. They would conditionally provide their credit card information. The pledge would take the following form:

> If by Dec. 31, 2014, 60 million fans worldwide commit to a premium music subscription service (of $10 per month) that pays artists 50% of total gross revenue to be distributed based on streaming levels, then I agree to pay $10 per month to participate in such service for at least a year.

If the goal were achieved, the recorded music industry would see $7.2 billion per year from this one revenue source. The non-royalty costs of such a service would not be very high due to the wonders of digital technology.

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466 *See* Sloan, *supra* note 183 (reporting that Spotify, the largest on-demand music service, had reached a 6 million paying customers worldwide as of March 2013).

Total worldwide music industry revenue reached $16.5 billion last year, only a modest portion of which comes from subscription services.[467] This bump alone would produce record growth in music industry revenues. As norms and practices evolved, such services could be expected to grow. And it is unlikely that consumers will drop the service after one year. Once consumers get used to these services, they tend to stick with them. Furthermore, if artists are getting a fairer shake, social norms would likely reinforce remaining on such a service.

Such an approach would have the ability to draw creative artists to the cause. Rather than staying on the sidelines or criticizing online services, artists would have economic motivation to encourage their fans to join the online marketplace. Technology companies should support these efforts as a means for increasing the marketplace for their services as well as constructive means for defusing pressure to ramp up copyright enforcement. President Obama could tout this initiative as a constructive and collaborative way of addressing a divisive economic issue. And Jon Stewart and Steven Colbert could celebrate a solution to the hypocrisy that has abounded surrounding these issues.

The pledge could fail for two principal reasons. First, consumers might not be willing to participate. And if that were true, then at a minimum we would learn valuable information about where consumers' hearts lie. This problem has aspects of a classic collective action problem. My hope is that through a broad-based campaign, we would inspire and reveal the better side of human nature. I would hope to enlist President Obama, the Stewart/Colbert nations, the tech sector (Google, Facebook, Apple, Yahoo, and, of course, Spotify and Beats), as well as the Electronic Frontier Foundation to support the pledge. We could also encourage recording artists — Bob Dylan, Bruce Springsteen, Lady Gaga, Eminem, Pete Townshend, Katy Perry, Dave Grohl, Lars Ulrich, . . . — to throw a "summer of love" series of free concerts calling attention to the pledge as a way for fans to show their commitment to building and sustaining a robust artist community.[468]

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467 *See* Eric Pfanner, *Music Industry Sales Rise, and Digital Revenue Gets the Credit*, N.Y. TIMES (Feb. 26, 2013), http://www.nytimes.com/2013/02/27/technology/music-industry-records-first-revenue-increase-since-1999.html?_r=0; INT'L FED'N OF THE PHONOGRAPHIC INDUS., IFPI DIGITAL MUSIC REPORT 2013: ENGINE OF A DIGITAL WORLD (2013), *available at* http://www.ifpi.org/content/library/dmr2013.pdf.

468 *See* Nathan Ingraham, *Pink Floyd Drummer Sings Spotify's Praises, Says Streaming 'Might Work' for Artists*, THE VERGE (Sept. 26, 2013), http://www.theverge.com/2013/9/26/4774774/pink-floyd-drummer-sings-spotifys-praises (quoting Nick Mason saying "[w]e'd like to see a standard rate of at least 50/ 50 split between the record company and the artist [for streaming revenues]")

The second problem could arise if the pledge achieves its goal of gaining the commitment of 60 million fans worldwide to a much fairer music marketplace. There is nothing requiring record labels to renegotiate their deals with their recording artists or online services. I would, of course, like to see the labels make that commitment up-front. But even if they declined, shame and, more importantly, Wall Street, would come into play. One would hope that record labels would see more benefit in maximizing shareholder value than in thumbing their noses at recording artists and consumers.[469] But if the labels refused the pledge, Wall Street forces — such as famed corporate raider Carl Icahn or the technology sector — might sweep in to take over record labels and do what would be most beneficial to shareholders (as well as consumers, recording artists, and the public-at-large). Furthermore, policymakers would see that major label executives are holding back progress and be less supportive of their initiatives.

The Grand Kumbaya Music Internet pledge is akin to a collective and sustained Kickstarter campaign. It would function as a form of consumer collective action. Music fans would have a vehicle to communicate en masse their dissatisfaction with the current state of the music industry and their desire to participate in a more just music ecosystem. Whereas the massive online protest of SOPA communicated opposition to regulating the Internet, the Grand Kumbaya Music Internet pledge would speak to the virtues of an ethical copyright system for the Internet Age.

Hopefully the time is ripe for fans, artists, tech companies, and record labels to come together in writing a new social contract for the music industry. Even noted adversaries Lars Ulrich, Metallica's drummer and one of the music industry's most outspoken critics of Napster (and file-sharing),[470] and Sean Parker, the Internet entrepreneur who co-founded Nap-

469 *See id.* (reporting that Nick Mason expressed that both the labels and the artists would benefit from an increased presence by musicians on the board of record labels to make sure their voices are heard).

470 Recalling the time he first heard of Napster and the sharing of music files over the Internet without authorization, Lars Ulrich told Metallica's manager "Maybe we should go over there and . . .'.' He punched his hand three times with his fist. The band's attitude at the time was: "You f— with us, we'll f— with you." *See* Greg Sandoval, *Metallica Joins Spotify, Buries the Hatchet with Sean Parker*, C—NET (Dec. 6, 2012), http://news.cnet.com/8301-1023_3-57557576-93/metallica-joins-spotify-buries-the-hatchet-with-sean-parker. Metallica led the charge to sue Napster and took on the most visible public face of artist dissatisfaction with file-sharing. *See Ryan Buxton, Metallica Drummer Lars Ulrich Recalls Battle With Napster: "They F—ked With Us, We'll F—k With Them"* (VIDEO), HUFFINGTON POST (Sep. 24, 2013), http://www.huffingtonpost.com/2013/09/24/metallica-napster_n_3984374.html.

ster, have recently found common ground.[471] Having Metallica license their catalog to Spotify in conjunction with Ulrich's endorsement of the service helps to heal the rift between the content and technology industries and reinforces Spotify's reputation as a legal alternative to piracy. The Grand Kumbaya Music Internet pledge would enable Lars and Sean to scale their collaboration to the entire music ecosystem.

2. Graduated Embrace

As noted previously,[472] a group of major ISPs (SBC, AT&T, Comcast, Verizon, CSC, and Time Warner Cable) and leading content industry organizations (RIAA and MPAA) entered into a Memorandum of Understanding (MOU) in July 2011 to implement a Copyright Alert System to discourage unauthorized distribution of copyrighted works. Such a regime is often referred to as a "graduated response" in that copyright owners and ISPs escalate sanctions with repeat offenses.[473] The signatories to this MOU committed to implement an escalating system of alerts in response to alleged infringing activities: (i) an Educational Step Copyright Alert; (ii) an Acknowledgment Step Copyright Alert; and (iii) a Mitigation Measure Copyright Alert Step. The Mitigation Step can include a reduction in upload/download transmission speeds, a step down to a lower tier service, redirection to a landing page until the matter is resolved, and restrictions on Internet access. The MOU provides for "warning bells" along the alert steps as well as an appeals procedure.

This graduated response system provides a foundation for ISPs and copyright owners to collaborate more constructively in pursuit of a free and less piracy-prone Internet ecosystem. It builds a balanced enforcement system into ISP activities. As this experiment unfolds, the parties

471 *See* Sandoval, *supra* note 470.

472 *See supra*, text accompanying notes 347-48.

473 To provide a deterrent against online illegal file-sharing, Chile, France, Taiwan, South Korea, and the United Kingdom have recently introduced the so-called graduated response system or are in the process of doing so. *See* INT'L FED'N OF THE PHONOGRAPHIC INDUS., IFPI DIGITAL MUSIC REPORT 2011: MUSIC AT THE TOUCH OF THE BUTTON 3, 19 (2011); Kaitlin Mara, *UK Passes Internet Access-Limiting Bill for Alleged IP Infringers*, INTELLECTUAL PROPERTY WATCH (Apr. 8, 2010, 12:11 PM), http://www.ip-watch.org/weblog/2010/04/08/uk-isps-required-to-limit-internet-access-for-ip-infringers. For discussions of the gradated response system, see generally Annemarie Bridy, *Graduated Response and the Turn to Private Ordering in Online Copyright Enforcement*, 89 OR. L. REV. 81 (2010); Eldar Haber, *The French Revolution 2.0: Copyright and the Three Strikes Policy*, 2 HARV. J. SPORTS & ENT. L. 297 (2011); Alain Strowel, *Internet Piracy as a Wake-up Call for Copyright Law Makers – Is the "Graduated Response" a Good Reply?*, 1 WIPO J. 75; Peter K. Yu, *The Graduated Response*, 62 FLA. L. REV. 1373 (2010).

will be able to learn more about the ecosystem and how to adapt these techniques to better channel consumers into the legitimate marketplace.

While this approach has the potential to be more constructive, and certainly less counter-productive, than the RIAA lawsuits against 35,000 end users during the past decade, I worry that the tone of the campaign could reduce the effectiveness of the enterprise. Most parents learn that telling their teenage children what to do often produces undesired results.[474] It is often better for parents to listen and be supportive of their children even as they gently steer them in other directions.

The ISP-content industry "graduated response" program partially reflects this lesson. The organizers of the program have gone to great lengths to introduce balance into the program's operation, which is part of the reason it has taken a long time to launch. Nonetheless, the campaign is often referred to as the "six strikes" campaign and it does have a judgmental quality.

I would urge a more progressive concept: "graduated embrace." Rather than criticizing Internet users for participating in file-sharing, the messaging should welcome the file-sharers' appreciation for the content owners' works and steer them to authorized services, perhaps with a discount coupon for joining. To the extent that a work is not available through such a service, that ought to trigger the copyright owner to rethink their online distribution model. The goal should be to maximize availability of content through user-friendly and reasonably priced services.

There will inevitably be circumstances where studios resist making works available through online channels immediately. The film industry has been built on large-budget motion pictures appearing first in theaters. Studios have shortened those windows and moved toward global ("day and date") theatrical release so as to reduce online piracy across markets.[475] And as home theaters become more like public theaters, theatri-

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[474] *Cf.* THOMAS GORDON, PARENT EFFECTIVENESS TRAINING: THE PROVEN PROGRAM FOR RAISING RESPONSIBLE CHILDREN (2000); ADELE FABER & ELAINE MAZLISH, HOW TO TALK SO KIDS WILL LISTEN (1999).

[475] *See* Justin Kroll, *Paramount Ramps Up Day-and-Date VOD Plans for Indies*, VARIETY (Jul. 30, 2013), http://variety.com/2013/film/news/paramount-ramps-up-day-and-date-vod-plans-for-indies-1200569981; Nathan Blaisdell, *"Day-and-date" Film Release. What It Is. Why It's the Future.* 5TH CINEMA (Mar. 11, 2013), http://5thcinema.com/blog/2013/03/day-and-date-release (discussing the role of online piracy in pushing independent studios to shift to day and date release, but noting that major studios "will probably take longer, although there are signs that they're starting to pay attention"); Daniel Miller, *Sundance 2012: The Day-And-Date Success Story of "Margin Call"*, THE HOLLYWOOD REPORTER (Jan. 18, 2012), http://www.hollywood-reporter.com/news/sundance-2012-margin-call-video-on-demand-zach-

cal release will decline in economic importance. The theater business has shifted more toward Imax, 3-D, and other qualities that are not available in homes.

Studios evaluate the costs and benefits of exclusive theatrical release and other windowing choices based on the short run profit and loss trade-off. Such a calculation, however, overlooks the negative impact that windowing has on social norms and perceptions of the morality and legitimacy of the copyright system. Studios and the industry at large should directly consider the heavy cost on everyone in the industry of works being unavailable through online channels. The industry should value the long-term benefits of improved public approval that would flow from greater authorized accessibility of copyrighted works.

Table 1 shows the availability of the ten most pirated movies for the week ending October 21, 2013. None of these films were available for streaming, only two were available for digital rental, and three were available for digital purchase. While this data does not justify pirating, it highlights the limited authorized availability of pirated films. By holding released films back from authorized digital channels, the film industry loses more of the market to piracy and reinforces consumers' engaging in illicit access.

Even the comments of one of the industry's leading figures seem to legitimize piracy and undermine a shift in social norms toward authorized channels. As noted earlier,[476] the head of Time Warner characterized having the most pirated show (Game of Thrones) as "better than an emmy." Rather than segment markets through windowing, the film and television industries need to look at the broader benefits of channeling consumers into a more balanced ecosystem that responds to consumers' understandable desires for what they want when they want it through a user-friendly interface at a reasonable price point.[477]

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quinto-283033; Steven Mallas, *Time Warner, Apple Love "Day-and-Date" Movie Release – and So Should Investors*, DAILYFINANCE (May 1, 2008), http://www.bloggingstocks.com/2008/05/01/time-warner-apple-love-day-and-date-movie-release-and-so-s (reporting that Time Warner CEO Jeff Bewkes "seemed satisfied that experiments with the strategy worked out well, proving that issues of cannibalization are overblown and that the margin scenarios [video on demand typically earn studios substantially more than DVD on a per view basis] are too cool to ignore").

476 *See supra*, text accompanying note 207.

477 *Cf.* Andrew Wallenstein, *Comcast Developing Alternative to 'Six Strikes'*, VARIETY (Aug. 5, 2013), http://variety.com/2013/digital/news/comcast-developing-anti-piracy-alternative-to-six-strikes-exclusive-1200572790 (reporting that Comcast is pitching the television industry on a plan to convert illegal downloads to legal transaction opportunities by pushing a pop-up message with links to purchase or rent content that is being accessed illegally).

Table 1
Most Pirated Movies of the Week Ending Oct. 21, 2013

		Availability Through Authorized Channel		
Film	Release Date	Streaming	Digital Rental	Digital Purchase
1. Man Of Steel	June 10, 2013	no	no	no
2. Pacific Rim	July 12, 2013	no	yes	yes
3. Despicable Me 2	July 3, 2013	no	no	no
4. White House Down	June 28, 2013	no	no	no
5. The Lone Ranger	June 22, 2013	no	yes	no
6. Kick-Ass 2	August 14, 2013	no	no	no
7. Elysium	August 8, 2013	no	no	no
8. 2 Guns	August 2, 2013	no	no	no
9. The Internship	June 7, 2013	no	no	yes
10. Monsters University	June 21, 2013	no	no	yes

Sources: piracydata.org, TorrentFreak, http://torrentfreak.com/category/dvdrip; Can I Stream It, http://www.canistream.it.

Kevin Spacey, the star of House of Cards, Netflix's break-through over the Internet original series, succinctly proposed a cure for this pathology:[478]

> [T]hrough this new form of distribution, we have demonstrated that we have learned the lesson that the music industry didn't learn. Give people what they want, when they want it, in the form they want it in, at a reasonable price and they'll more like pay for it rather than steal it. Well some will still steal. But I think that we can take a bite out of piracy.[479]

Professor Marty Kaplan, Director of the Norman Lear Center at the USC Annenberg School for Communication and Journalism, observes that "[i]t's hard to imagine that the sequenced distribution of product over a controllable period of time through an orderly series of 'windows' — venues and platforms and formats and pipes and territories, each with their

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478 *See* Mike Masnick, *Kevin Spacey: Give Users Control, What They Want, When They Want It, At A Fair Price, And Stop Worrying About Piracy*, TECHDIRT (Aug. 26, 2013), http://www.techdirt.com/articles/20130824/22031324306/kevin-spacey-give-users-control-what-they-want-when-they-want-it-fair-price-stop-worrying-about-piracy.shtml.

479 *Kevin Spacey Urges TV Channels to Give Control to Viewers*, THE TELEGRAPH YOUTUBE CHANNEL (Aug. 23, 2013), http://www.youtube.com/watch?v=p0ukYf_xvgc&desktop_uri=%2Fwatch%3Fv%3DP0ukYf_xvgc&nomobile=1.

own license deals and consumer prices — will survive unbroken."[480] He sees responding to consumer demand, as opposed to scaring, educating, or shaming consumers into not pirating, to be the way forward. Robert Bauer, Director of Projects for the MPAA, recognized as much in 2009, advocating a strategy "to isolate the forms of piracy that compete with legitimate sales, treat those as a proxy for unmet consumer demand, and then find a way to meet that demand."[481]

Riffing off the title of Netflix's popular new original series, "Orange is the New Black," New York Times reporter Brian Stelter cleverly remarked that "content is the new black"[482] or, better yet, "easily and legally accessible content is the new black." Netflix has seen rapid subscription growth since the release of its high quality, bingeable, original programming. It has reached 40 million subscribers worldwide (30 million domestic), surpassing HBO's domestic U.S. subscription level for the first time.[483] The stock market appears sanguine about Netflix's disruptive business model, driving its stock price up 440 percent in the past year[484] to a market capitalization nearly a third the market value of Time-Warner Inc., HBO's wide-ranging parent corporation.[485] The stock market is far from perfect, but Netflix does point in a promising direction for creators and consumers. The sooner content industries can build robust online marketplaces for their products, the sooner piracy fades in importance.[486]

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480 *See* Marty Kaplan, *Moses, Media Piracy and the MPAA*, HUFFINGTON POST (Apr. 3, 2011), http://www.huffingtonpost.com/marty-kaplan/moses-media-piracy-and-th_b_843317.html.

481 *See* SOC. SCI. RESEARCH COUNCIL, *supra* note 463, at 66.

482 *See* Brian Stelter, *Netflix Hits Milestone and Raises Its Sights*, N.Y. TIMES, Oct. 21, 2013, at B1, *available at* http://www.nytimes.com/2013/10/22/business/media/netflix-hits-subscriber-milestone-as-shares-soar.html?_r=0.

483 *See* Claire Atkinson, *Netflix Stock Soars, US Subscriber Count Passes HBO's*, N.Y. POST (Oct. 21, 2013), http://nypost.com/2013/10/21/netflix-stock-soars-us-subscriber-count-passes-hbos. Netflix still lags HBO's 114 million subscribers worldwide subscriber base and $1.6 billion in net income. *See* Stetler, *supra* note 482.

484 *See* Stetler, *supra* note 482.

485 Netflix's market capitalization as of October 21, 2013 was approximately $19 billion. Time-Warner's market capitalization — which includes New Line Cinema, Time Inc., Turner Broadcasting System, The CW Television Network, TheWB.com, Warner Bros., Cartoon Network, CNN, DC Comics, Hanna-Barbera, and Castle Rock Entertainment in addition to HBO, was valued about $64 billion on that date.

486 It appears that Time-Warner may be getting the message. *See* Todd Spangler, *Comcast Offers HBO Without Other Cable Channels in Bundle Aimed at Cord-Cutters and Cord-Nevers*, VARIETY (Oct. 25, 2013), http://variety.com/2013/biz/news/comcast-becomes-first-pay-tv-distributor-to-offer-hbo-without-basic-cable-1200761863.

CONCLUSIONS

Throughout most of copyright history, the public's view of the copyright system exerted little force on its functioning. Due to the difficulties of reproducing paper, vinyl, and celluloid as well as the relative ease of policing content markets, consumers had few options other than to access copyrighted works through authorized channels. The Internet has broken that mold, freeing consumers to find and share copyrighted works with ease and relatively low risk of detection. The first thirteen years of living in this era has revealed that copyright law's principal tool for preventing unauthorized distribution of copyrighted works — deterrent enforcement through statutory damages — is largely counter-productive in a technological age in which consumers can easily circumvent content markets.

By not shifting to a more balanced enforcement regime, adjusting copyright law doctrines to support cumulative creativity, and opening up user-friendly market channels, policymakers and content industries risk further alienating the post-Napster generations. The touchstone for reforming copyright law and market institutions should be welcoming, supporting, and embracing future creators and consumers. By recognizing the essential role of social norms in the operation of the Internet Age content governance ecosystem, policymakers and industry leaders can re-equilibrate copyright law and content markets to motivate the next generation of creators and engage the next generation of consumers.

Although copyright law principally relies upon market mechanisms to promote a vibrant creative culture, markets alone cannot bring about the ideal ecosystem. While reinvigorated copyright formalities and other market supporting institutions can enhance the functioning of copyright law, various technological, economic, social, and distributive factors require a nuanced and responsive mix of regulatory adjustments as well as government oversight and a larger public role in copyright enforcement. Such regulatory tools will have an increasing role to play in the seamless, promiscuous, networked technological era to come.[487]

Thus concludes "This (my) American Copyright Life," a cautionary tale that recognizes the moral, economic, and social virtues of copyright protection as well as the dysfunctionality of the current copyright system in the Internet Age. Every person has his or her "copyright life." I worry that too many post-Napster "copyright lives" are disheartening. The goal of this story has been to offer a sensible path for restoring faith in the copyright system.

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[487] *See* Peter S. Menell, *Governance of Intellectual Resources and the Disintegration of Intellectual Property in the Digital Age*, 26 BERKELEY TECH. L.J. 1523 (2011).

PART III

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

35 CFR Part 385. Copyright Royalty Judges Announce Technical Amendment to Regulations Affecting Use of Musical Works Under Section 115 License, 78 Fed. Reg. 76,987. The Copyright Royalty Judges made a technical amendment to the regulations regarding rates and terms under section 115 of the Copyright Act for use of musical works in physical phonorecord deliveries, permanent digital downloads, ringtones, interactive streaming, limited downloads, limited offerings, mixed service bundles, music bundles, paid locker services, and purchased content locker services. The technical amendment corrected a clerical error regarding an accounting provision in the final rule. The amendment took effect on January 1, 2014.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Commence Proceeding to Determine Royalty Rates for Digital Performance of Sound Recordings and Ephemeral Recordings. 79 Fed. Reg. 412-14. The Copyright Royalty Judges announced the commencement of a proceeding to determine reasonable rates and terms for certain digital performances of sound recordings and the making of ephemeral recordings under sections 112 and 114 of the Copyright Act for the period from January 1, 2016, through December 31, 2020. The deadline was February 3, 2014, to a file petition and fee to participate.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Commence Proceeding to Determine Royalty Rates for Digital Performance of Sound Recordings and Ephemeral Recordings by New Subscription Services. 79 Fed. Reg. 410-12. The Copyright Royalty Judges announced the commencement of a proceeding to determine reasonable rates and terms for the use of sound recordings and the making of ephemeral recordings by new subscription services under sections 112 and 114 of the Copyright Act for the period from January 1, 2016, through December 31, 2020. The deadline was February 3, 2014, to a file petition and fee to participate.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Announce Receipt of Five Notices Of Intent To Audit. 79 Fed. Feg. 2699-700. The Copyright Royalty Judges announced receipt of five separate notices of intent to audit the 2010, 2011, and 2012 statements of account submitted by Sirius XM Radio, IMUV, Crystal Me-

dia Networks, Pandora Media, and LoudCity under sections 112 and 114 of the Copyright Act. The notices were submitted by SoundExchange, the organization charged with collecting royalty payments and statements of account and distributing royalties to copyright owners and performers entitled to receive royalties under sections 112 and 114.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Office Releases New Report on Resale Royalties. The U.S. Copyright Office today publicly released a report on the issue of resale royalties for visual artists, or the "droit de suite." The report was requested by Congressman Jerrold Nadler and Senator Herb Kohl in 2012, and is an adjunct to the Office's 1992 report on the same topic. Some seventy countries have enacted resale royalty provisions in their laws, over thirty of them since 1992, including the United Kingdom, which is home to one of the world's most significant art markets.

The Copyright Office has concluded that certain visual artists may operate at a disadvantage under the copyright law relative to authors of other types of creative works. Contrary to its 1992 report, the Office is supportive of further congressional exploration of a resale royalty at this time. It also supports exploration of alternative or complementary options that may take into account the broader context of art industry norms and art market practices, for example, voluntary initiatives or best practices for transactions and financial provisions involving artworks. The report reflects the diversity of public comments received by the Office over the past year, and makes a number of observations and recommendations that Congress may wish to consider in its deliberations. The full report is available at http://www.copyright.gov/docs/resaleroyalty/usco-resaleroyalty.pdf.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

37 CFR Part 201. Verification of Statements of Account Submitted by Cable Operators and Satellite Carriers. 78 Fed. Reg. 78,257-58. The U.S. Copyright Office is adopting an interim regulation that implements certain aspects of the Satellite Television Extension and Localism Act of 2010 ("STELA"). Cable operators and satellite carriers must file statements of account ("SOAs") and deposit royalty fees with the Office in order to use the statutory licenses that allow for the retransmission of over-the-air broadcast signals. The Office published two notices of proposed rulemaking concerning a new process to allow copyright owners to audit the SOAs and associated royalty payments. The Office received extensive comments on its proposed audit procedures and is carefully reviewing these comments to address them as appropriate in a final rule. In the meantime, the

Office is issuing an interim rule to establish the procedure for filing a notice of intent to audit one or more SOAs.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Notice of Intent to Audit. 79 Fed. Reg. 2699-700. The Copyright Royalty Judges announce receipt of five notices of intent to audit the 2010, 2011, and 2012 statements of account submitted by Sirius XM Radio, Inc.; IMUV, Inc.; Crystal Media Networks; Pandora Media, Inc.; LoudCity LLC concerning the royalty payments made by each pursuant to two statutory licenses. . . . On December 20, 2013, SoundExchange filed with the Judges five separate notices of intent to audit IMUC, Inc. (IMUC), Crystal Media Networks (CMN), Pandora Media, Inc. (Pandora) and LoudCity LLC (LoudCity) for their webcasting services, and Sirius XM Radio, Inc. (Sirius XM) for its various services: webcasting service, preexisting satellite digital audio radio service, new subscription service, and business establishment service for the years 2010, 2011, and 2012.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Office Requests Public Comment on Proposed Key Elements of Reengineering the Documents Recordation Function. The United States Copyright Office requests public comment on proposed key elements relevant to reengineering the function of recording documents pertaining to copyright pursuant to 17 U.S.C. section 205. In a separate notice that will be published soon, the Office will also announce a series of public hearings on these elements, scheduled shortly after the end of the comment period on this Notice of Inquiry. The elements have been developed with the aid of previous comments obtained during the Office's two-year Special Projects process, particularly the Special Project on Technical Upgrades to Registration and Recordation Functions. View that project's Notice of Inquiry and resulting comments at www.copyright.gov/docs/technical_upgrades.

In particular, the Office is seeking comment and holding public hearings on the following elements: (1) a guided remitter responsibility model of electronic recordation; (2) the use of structured electronic documents that contain their own indexing information; (3) the linking of recordation records to registration records; (4) the use of standard identifiers, and other metadata standards, in recorded documents and the catalog of such documents; and (5) potential additional incentives to record documents pertaining to copyrights.

Comments were due on or before March 15, 2014. The dates for public hearings to be conducted on the east and west coasts after the close of the

public comment period are yet to be determined. For more information, go to http://www.copyright.gov/fedreg/2014/79fr2696.pdf.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Office Seeks Comments on Rights of "Making Available" and "Communication to the Public" The U.S. Copyright Office has published a *Federal Register* notice requesting written comments on how current U.S. law recognizes and protects "making available" and "communication to the public" rights for copyright holders. Specifically, the Office seeks comments on (1) how the existing bundle of exclusive rights under Title 17 covers the making available and communication to the public rights in the context of digital on-demand transmissions such as peer-to-peer networks, streaming services, and music downloads, as well as more broadly in the digital environment; (2) how foreign laws have interpreted and implemented relevant international treaties providing for these rights; and (3) the feasibility and necessity of amending U.S. law to strengthen or clarify our law in this area. The Office will hold a public roundtable on May 5, 2014, to discuss these topics and to provide a forum for interested parties to address the issues raised by the comments received.

The Notice of Inquiry is available at http://www.copyright.gov/docs/making_available. Written comments were due on or before April 4, 2014.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Office Initiates Music Licensing Study and Requests Public Comments. The U.S. Copyright Office is initiating a study to evaluate the effectiveness of existing methods of licensing music. To aid this effort, the Office is soliciting written comments from the public on the current state of the music licensing marketplace, including specific subjects of inquiry set forth in a notice published in the *Federal Register*. The *Federal Register* notice is available at http://www.copyright.gov/docs/musiclicensingstudy. Written comments are to be submitted electronically via the comment submission form on the Office's website. Comments were due on or before May 16, 2014. In addition, the Office will be announcing one or more public meetings to address music licensing issues to take place after written comments are received.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

37 C.F.R. Parts 201 and 203. Copyright Office Announces New Fee Schedule; First Since 2009, 79 Fed. Reg. 15,910. The U.S. Copyright Office is announcing a new fee schedule covering registration, recordation, and related services; special services; Licensing Division services; and Freedom of Information Act (FOIA) services. These fees took effect on May 1,

2014. The final rule establishing the new fee schedule was published in the *Federal Register* today and is available at http://www.copyright.gov/fedreg/2014/79fr15910.pdf.

This new fee schedule is the product of a multiyear process of studying current Copyright Office fees, evaluating the Office's budget requirements, and considering public comments. While a number of fees, including the fee for standard registrations, have increased to permit the Office to more fully recoup its expenses, some fees have decreased and others remain the same. The Office has also instituted a separate, lower fee for single-author, single-work registration claims. For more information, go to http://www.copyright.gov/docs/newfees.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

37 C.F.R., Part 380, Copyright Royalty Judges Announce Royalty Rates for Digital Performance Right in Sound Recordings and Ephemeral Recordings, 79 Fed. Reg. 23,102. The Copyright Royalty Judges have announced their final determination of the rates and terms for two statutory licenses permitting certain digital performances of sound recordings and the making of ephemeral recordings for the period from January 1, 2011, through December 31, 2015. The effective date of the determination was April 25, 2014. For more information, go to http://www.loc.gov/crb/fedreg/2014/79fr23102.pdf or http://www.loc.gov/crb.

PART IV

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FROM THE DESK OF THE CO-EDITORS-IN-CHIEF

Volume 61, Issue 3, begins with *Copyright at the Museum: Using the Publication Doctrine to Free Art and History* by Deborah R. Gerhardt. In her article, the author uses the publication doctrine "to to determine whether historical content created by U.S. authors is protected by copyright or in the public domain." After summarizing the publication doctrine, the article "explores non-judicial sources for resolving the copyright publication puzzle regarding historical works," "looks to judicial precedent as an empirical source for determining which variables would matter to a district court analyzing whether an archived work is published," and concludes with the author's solutions for the publication question.

The controversial Google Books Library Project is the subject of Barry Sookman's article, *The Google Book Project: Is It Fair Use?* Here, the author raises questions about fair use in the digital environment and discusses several possible errors an appellate court will have to examine when reviewing Judge Denny Chin's Google Books decision, such as whether the judge erred in his consideration of transformative use requirements, how he weighed the project's commercial benefits to Google, and if he failed to consider the potential impact on the market for the works. Mr. Sookman concludes: "that Congress rather than the courts is better suited to decide how best to pursue the Copyright Clause's objectives, and further that courts should encroach only reluctantly on Congress's legislative prerogative to address copyright issues presented by technological developments."

Issue 3 also contains two articles on copyright damages in China, both by previous *Journal* contributors. In *Copyright Damages in China*, author Yong Wan seeks to provide an understanding of how damages provisions developed in Chinese copyright law and describes how judges calculate damages. His suggestions for improvements include strengthening the role of judicial precedents and requiring that judgments contain an explanation of the decision. A more specialized study of copyright damages in China is provided by *Trend for Damages for Copyright Infringement in China: An Empirical Study on Practices in Beijing Courts* by Huaiwen He. The article examines 540 judgments to test the assumption that low damage awards for infringement are a result of judicial inexperience and the methods of discovery. The author believes that this is unlikely, and thinks that a way of increasing damage awards would be to use "a benchmark of royalty rates fixed by collective management societies."

Part II contains the comments of the Register of Copyrights, Maria A. Pallante, on the 100th anniversary of ASCAP. In her remarks, she reviews key moments in the history of U.S. copyright law, notes the role of ASCAP, congratulates it on its 100th anniversary, and mentions issues in music copyright that are currently being studied by the Copyright Office.

The issue concludes with Part III, Administrative Developments, and Part IV, the Bibliography.

As always, your comments and suggestions are welcome.

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PART I

ARTICLES

COPYRIGHT AT THE MUSEUM: USING THE PUBLICATION DOCTRINE TO FREE ART AND HISTORY

by DEBORAH R. GERHARDT*

INTRODUCTION

One of copyright law's most challenging questions is whether the cultural treasures that fill our museums and libraries are in the public domain. The technological power to share art and historical documents is too often defeated by copyright uncertainty.[1] For a nation addicted to searching for information online, digital nonexistence imprisons much content so that collections cannot be reached and displayed by educators, book publishers, film makers, and scholars. This same problem prevents librarians from sharing collections with patrons outside their building. If original works are locked in a physical vault, they cannot be incorporated into new artistic and academic works. When the art historian Frederick Gross wrote his 2012 book on the twentieth-century photographer Diane Arbus, he could not obtain permission to use her images.[2] If the Arbus photographs were "published" without notice before 1976, copyright law would classify them in the public domain, so that Gross could have reprinted them in his book without asking permission. Unfortunately, Professor Gross and his publisher did not solve this legal puzzle. Copyright uncertainty prevented them from displaying a single image.

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*Assistant Professor, UNC School of Law. This project was supported by a generous grant from the Andrew W. Mellon foundation. For their many thoughtful comments, I am grateful to Brett M. Frischmann, Laura N. Gasaway, Michael J. Gerhardt, Eric Goldman, Peter B. Hirtle, Cary Levine, Joseph P. Liu, Kevin T. McGuire, David Nimmer, Jessica Silbey, Rebecca L. Tushnet, Diane L. Zimmerman, the participants in the WIPIP conference at the University of Houston and workshop participants at the University of Illinois College of Law, Duke-UNC Junior Scholars workshop series, JSIP at Michigan State, the Northeast IP Colloquium at Suffolk University School of Law and the UNC School of Law. Many thanks to Stephen Fletcher for directing me to the MacNeill collection and photographing the original images for this Article. Max Biedermann, Diane Collopy, Jeremy Friefeld, Eric Kotecki, Graham Ford and Madeleine Pfefferle provided excellent research assistance.

[1] Laura N. Gasaway, *Libraries, Digital Content, and Copyright*, 12 VANDERBILT J. ENT. & TECH. LAW 755, 760 (2010) (describing how copyright questions prevented the Mississippi Civil Rights Archive from digitizing twentieth century content).

[2] FREDERICK GROSS, DIANE ARBUS'S 1960's, AUGURIES OF EXPERIENCE (2012).

Copyright publication doctrine has been neglected as a key to freeing original art and historic works into the public domain. A better understanding of it may have freed Professor Gross, his publisher, and many in similar frustrating situations, to use images. This Article fills that void. It is the first to provide a detailed analysis of whether placing a work in a public archive may constitute publication, and if so, what circumstances justify such a finding.

Clarifying this famously difficult copyright question is important because it is the key to resolving whether many twentieth century works are in the public domain. The current ambiguity works against the original purpose of copyright law set forth in the Constitution and the nation's first copyright law from 1790: to promote education and the progress of knowledge.[3] Ironically, obscure questions of copyright publication can thwart both these goals. Diane Zimmerman laments that "we may never realize the chance to 'save' culture because the very laws promoting the creation of communicative and artistic works turn out to be a barrier to preserving the works once they are created."[4] Unexamined assumptions about copyright publication can create barriers to even wealthy creators. The one time a federal court considered the copyright status of art by Pablo Picasso, it found the work to be in the public domain because it was published without the required copyright notice.[5] Nonetheless, this precedent did not have much traction. Given how spectacularly productive Picasso was, it seems probable that more of his works may have been published without notice. Nonetheless, because copyright permission could not be obtained, the Merchant-Ivory film "Surviving Picasso" does not depict a single work by the artist.[6]

In addition to blocking access to art, the inaccessibility of original documents, like photographs and handwritten letters, can distort historical

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[3] Act of May 31, 1790, ch. 15, 1 Stat. 124 ("An Act for the encouragement of learning . . . .").

[4] Diane Leenheer Zimmerman, *Can our Culture Be Saved? The Future of Digital Archiving*, 91 MINN. L. REV. 989, 990 (2007).

[5] Letter Edged in Black Press, Inc. v. Public Bldg. Comm'n of Chicago, 320 F. Supp. 1303, 1311 (N.D. Ill. 1970). Since this decision found the Chicago Picasso to be in the public domain, Section 104A(a) restored the copyright in many works created by foreign authors. If, for example, the work was published in both the United States and France within thirty days, the restoration provisions would not apply. 17 U.S.C. § 104A(h)(6)(D) (2012). For a general discussion of whether copyright in the Chicago Picasso sculpture has been restored, see Elizabeth Townsend Gard, *Copyright Law v. Trade Policy*, 34 COLUM. J. LAW & ARTS, 101, 128 (2010).

[6] Patricia Cohen, *Art is Long, Copyrights Even Longer*, N.Y. TIMES, Apr. 24, 2012, at C1.

understandings.[7] In 1991, newspapers reported that a poultry plant fire in Hamlet, North Carolina, was *the worst* industrial accident ever to occur in the state. The fire tragically killed twenty-five people, but the claim that it was the *worst* accident in the state's history was not true. Twice as many people died in the 1925 Coal Glen mine explosion. The original photographs documenting this accident are housed in a collection with a notice indicating they are protected by copyright. The story of the explosion has not appeared in North Carolina history texts. If these materials were clearly in the public domain, they may have been accessible to historians, teachers and journalists. Resolving this issue is especially important in an era where libraries and museums have the technology to preserve original works through digitization and make them broadly accessible.

Anyone who wants to create a work that illustrates twentieth-century culture will be forced to wade through murky copyright publication issues. In order to create a history text, film about poverty, book about art, study guide about the civil rights movement, or a museum web site about any twentieth century subject, it is important to use images and original documents from that time. In doing research for such a project, one often encounters iconic images that are used repeatedly, while others are not reproduced for fear of copyright implications.

The copyright fair use doctrine does not provide an adequate solution. Relying on fair use is always a gamble. The doctrine requires a case by case analysis balancing four statutory factors in light of the purpose of copyright.[8] The third statutory factor instructs courts to consider the quantity of the borrowed work. For images, use of the whole work is often necessary. Copying an entire work does not preclude a finding of fair use, but it weighs against it.[9] As Larry Lessig aptly noted, "fair use in America simply means the right to hire a lawyer to defend your right to create. And as lawyers love to forget, our system for defending rights such as fair use is astonishingly bad . . . It costs too much, it delivers too slowly and what it delivers often has little connection to the justice underlying the claim."[10] Because the fair use doctrine is not perceived as a safe harbor, publishers often prohibit the use of images or original documents unless

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[7] Brief of College Art Association et al. as Amici Curiae in Support of Petitioners, Eldred v. Ashcroft, 537 U.S. 186 (2003) (No. 01-618), 2002 WL 1041813, at *16-*17.

[8] 17 U.S.C § 107 (2012); Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569, 578 (1994).

[9] Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549, 615 (2008) (explaining that findings of fair use are less likely when more of an original work is used).

[10] LAWRENCE LESSIG, FREE CULTURE 187 (2004).

the work is in the public domain or permission is obtained.[11] If a category of works can be clearly situated in the public domain, the uncertainty that keeps so much content locked in obscurity could be diminished.

This Article takes steps towards resolving this uncertainty by using the publication doctrine to determine whether historical content created by U.S. authors is protected by copyright or in the public domain.[12] It begins by explaining the causes of publication ambiguities and ultimately offers a solution that may be used to analyze the copyright status of works held in museums and libraries. The discussion proceeds in four parts.

Part I summarizes the copyright publication doctrine and explains why it poses challenges for analyzing historical works and art in libraries and museums. Photographs from the Coal Glen mine tragedy provide a case study to illustrate how copyright ambiguity can overprotect works that are in the public domain. Like many other works of historic importance, this collection was underutilized because of uncertainty about its copyright status.

Part II explores non-judicial sources for resolving the copyright publication puzzle regarding historical works. It begins by analyzing whether the statutory definition of publication provides for the possibility that original works like art and historical documents may be considered published even if they were not circulated in multiple copies. It then examines how leading treatises summarize the issue and finds that they generally conclude that most archived works are unpublished. Interestingly, the treatises assert this general principle without delving into deeper questions about whether all archived works should be analyzed identically. A critical look at these descriptions shows that they could be substantially improved by a more nuanced analysis.

Part III looks to judicial precedent as an empirical source for determining which variables would matter to a district court analyzing whether an archived work is published. I first identify thematic patterns from federal district court publication decisions generally, and then focus on the subset of cases that examine archived works. The analysis reveals that courts do not treat all archived works identically. Architectural works deposited in government offices have a much lower publication rate than works deposited in museums and libraries. Comparing these two sets of decisions reveals their thematic consistencies and explains why one should

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[11] Deborah R. Gerhardt & Madelyn F. Wessel, *Fair Use and Fairness on Campus*, 11 N.C. J.L. & Tech. 461, 505-06 (2010)

[12] Even though this Article focuses on U.S. works, the analysis remains relevant for foreign content. For example, in order to determine whether a U.S. copyright has been restored under 17 U.S.C. § 104A, one must identify the time and place of publication. The test for determining publication set forth in Part IV may be used to resolve those questions.

not draw general conclusions about publication based on the type of work or archive. These variables do not affect publication status as much as other considerations such as the copyright owner's intent and whether the public could access copies.

Part IV identifies four possible solutions for clarifying the copyright status of archived works and considers how well each would promote stability of the public domain, clarify the law, increase efficiency and permit public access to art and historical works. After weighing the costs and benefits of each option, I conclude that the optimal solution is a standard derived from the precedential patterns identified in Part III. Under the proposed standard, a work will be deemed "published" under copyright law if it was placed in a public archive by the copyright owner, and the archive did not impose copying restrictions. Publication before January 1, 1978 would establish public domain status for U.S. works not marked with a valid copyright notice.[13]

If this standard is adopted, it will enable museums, libraries, publishers, authors, filmmakers, and artists to rely on a clear test to determine the copyright status of many archived works. It would increase public access to works now obscured by an ambiguous copyright posture. The solution provides built-in protections for copyright owners when objective circumstances show they did not intend for their work to be published. However, if they permitted public access to copies, the test provides a means for classifying their work as part of the public domain. This balanced approach may be used to liberate much historical content from copyright ambiguity. If adopted, it will promote access to works that enrich our cultural heritage and provide necessary raw materials for creative expression and informed engagement in public discourse.

I. PUBLICATION IS A CORE AMBIGUITY FOR ARCHIVED WORKS

As a preliminary matter, it is important to clarify what happens when a work enters the "public domain."[14] Despite its importance, the public domain is difficult to define. It is ephemeral. We cannot visualize a domain with no distinctive sense of place.[15] Copyright experts argue about how to

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[13] 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 9.09, at 9-131 (2013). This date may be extended to March 1, 1989, if no evidence exists that the copyright owner took any of the curative steps identified in 17 U.S.C. § 405. *Id.* § 7.02[C][2] at 7-15-7-16.

[14] For a thorough overview of the history of the use of the term "public domain" in intellectual property doctrine, see Tyler T. Ochoa, *Origins and Meanings of the Public Domain*, 28 U. DAYTON L. REV. 215, 224 (2002).

[15] David Lange, *Reimagining The Public Domain*, 66 LAW & CONTEMP. PROBS. 463, 463 (2003) ("the term 'public domain' is elastic and inexact."). *See also*

describe it. Pam Samuelson counted at least thirteen separate definitions in the scholarly literature.[16] It has been described both as scraps, the stuff not worthy of copyright protection[17] and holy ground — too sacred for anyone to own.[18] Alternatively, it can be seen like negative space in a drawing, the areas left open for the public to use only because Congress has not yet filled in the contours of copyright protection.[19] Some scholars have developed property or natural resources metaphors that treat the public domain like a national park[20] "owned by everyone."[21] Wendy Gordon sees the public domain as an "intangible common" in which the public has "significant property rights."[22] David Lange suggests we should view it as a status, like citizenship.[23] Others see it like consideration for a contract, as if the public domain is the reward bargained for in exchange for the period of exclusive rights given to authors.[24] Some scholars define

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Julie E. Cohen, *The Place of the User in Copyright Law*, 74 FORDHAM L. REV. 347, 367 (2005) ("the designation 'public domain' creates a misleading impression of geographic discreteness that muddies thinking about the practical accessibility of the common elements in culture. This metaphoric compartmentalization derives much of its staying power from the fact that the legal construction of the public domain systematically overlooks the user.").

16 Pamela Samuelson, *Enriching Discourse on Public Domains*, 55 DUKE L.J. 783, 788 (2006). Samuelson organizes the thirteen definitions into the following three categories: "(1) the legal status of information resources; (2) freedoms to use information resources, even if protected by intellectual property (IP) rights; and (3) accessibility of information resources." *Id.* at 785.

17 Edward Samuels, *The Public Domain in Copyright Law*, 41 J. COPYRIGHT SOC'Y 137, 137 (1993).

18 *See* Int'l News Serv. v. Associated Press, 248 U.S. 215, 250 (Brandeis, J. dissenting) ("The general rule of law is, that the noblest of human productions — knowledge, truths ascertained, conceptions, and ideas — become, after voluntary communication to others, free as the air to common use.").

19 Samuels, *supra* note 17, at 137-39.

20 Lange, *supra* note 15, at 466 (describing his original vision of the public domain as "[n]o longer a lesser neighborhood on the wrong side of the tracks, it would serve as a recognizable place of refuge for creative endeavor"); JAMES BOYLE, THE PUBLIC DOMAIN, at xv (2008) (advocating for "a movement — akin to the environmental movement — to preserve the public domain").

21 Ochoa, *supra* note 14, at 260 ("A number of recent cases reflect the view that the public domain is owned by everyone, rather than by no one.").

22 Wendy Gordon, *A Property Right in Self-Expression: Equality and Individuals in the Natural Law of Intellectual Property*, 102 YALE L.J. 1533, 1539, 1559 (1993).

23 Lange, *supra* note 15, at 475-76 ("I do not say that the public domain is exactly equivalent to citizenship. I do say that it might profitably take on these attributes of citizenship . . . .").

24 JESSICA LITMAN, DIGITAL COPYRIGHT 78 (2001).

the public domain to include parts of works that should be available during the term of copyright protection.[25]

This Article uses a narrower definition. Here, the "public domain" refers to the vast collection of cultural works, like Gilbert Stuart's portraits, Shakespeare's plays, Emily Dickinson's poetry, and Bach cello suites that are freely accessible because any copyright protection they may have had has expired.[26] Applying this conception, all expressive works are either protected by copyright or in the public domain. During the term of copyright protection, federal law gives the author six exclusive rights that prevent anyone else from safely copying and sharing the work in digital or paper copies.[27] Many institutions fear copyright claims because willful infringement of a single work can result in damages amounting to $150,000 and an order to pay the copyright owner's attorney's fees.[28] Once the copyright term expires, the work is no longer protected by federal law, and enters the public domain where it is free for anyone to use without having to ask for permission.[29]

Unfortunately, acknowledging the general contours of the public domain does not illuminate everything that resides within it. The copyright duration statutes do not include an easy on/off switch to determine whether a work is protected. To discern whether twentieth century works are in the public domain under United States copyright law, it is often necessary to analyze whether they were "published" without observing required formalities. Works that were published before March 1, 1989 and not marked with a copyright notice are likely in the public domain. If

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25 Jessica Litman, *The Public Domain*, 39 EMORY L.J. 965, 976 (1990) ("The most important part of the public domain is a part we usually speak of only obliquely: the realm comprising aspects of copyrighted works that copyright does not protect.").

26 Some definitions of the public domain are broader, embracing material that is available for use even during the term of copyright protection, through, for example, the copyright fair use doctrine. *See* Julie Cohen, *Copyright, Commodification and Culture: Locating the Public Domain in the Public Domain of Information*, *in* THE FUTURE OF THE PUBLIC DOMAIN 121 (P. Bernt Hugenholtz & Lucie Guibault eds., 2006); Lange, *supra* note 15; Yochai Benkler, *Free as the Air to Common Use: First Amendment Constraints on Enclosure of the Public Domain*, 74 N.Y.U. L. REV. 354, 361-62 (1999); BOYLE, *supra* note 20, at 38 (using a definition of the public domain that "focus[es] not only on complete works but on the reserved spaces of freedom inside intellectual property"). For additional definitions of the public domain, see *infra* notes 227-248 and accompanying text.

27 17 U.S.C. § 106 (2012).

28 *Id.* § 504(c)(2).

29 Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262 (1979) ("the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public").

these works remained unpublished, they may still be protected by copyright. Consequently, publication triggers a critical issue in copyright law: whether federal protection applies at all.

In the twentieth century, most nations gave long automatic copyright terms calculated by the life of the author plus an automatic additional term of years. Knowing if and when an author died was all that was needed to calculate a copyright term. In 1989, the U.S. adopted this method as well, but it was not retroactive.[30]

Before then, U.S. copyright law provided two paths to federal copyright protection. The first path led to immediate entry into the public domain if the work was published before January 1, 1978 (the effective date of the 1976 Copyright Act) and not marked with the required copyright notice.[31] If the author complied with the notice provision and other required formalities, the work would be on the second path of copyright protection for twenty-eight years, and if renewal was sought, that path continued for an additional term specified by statute.[32] Both the initial fork in the road (between entry into the public domain and copyright protection) and the option of extending the path of protection with renewal made U.S. copyright law unique. This system provided many public benefits. It fed many works into the public domain immediately, and many others entered after less than three decades. It also provided clarity, because after a work was published, the presence of a copyright notice clearly indicated when it would enter the public domain.[33] When the author did not choose the path of protection by marking the work with a copyright notice, the work took the second path, and immediately entered the public domain.[34] Often, that path was taken unintentionally when authors did not know of the statutory formalities. To protect unwary au-

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[30] Measuring the copyright duration by the author's life was introduced in the 1976 Copyright Act, but the notice requirement was not eliminated until the Act was amended in 1988 to comply with the Berne Convention. Therefore, before the Act's effective date (March 1, 1989), a work could enter the public domain by publication without notice. 2 NIMMER & NIMMER, *supra* note 13, § 7.02[C][2], at 7-15–7-16.

[31] *Id.* § 7.02[C][2], at 7-15–7-16.

[32] Congress removed the renewal requirement in the 1976 Act. Therefore, for any works published after 1963, the author did not need to file for renewal with the U.S Copyright office because the second term followed automatically under the revised federal law. 2 *id.* § 9.09, at 9-131 .

[33] BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT 81 (1967) (describing copyright notice as a "do-or-die requirement").

[34] BOYLE, *supra* note 20, at 184 ("The default position . . . [was] freedom and the deadweight losses caused by giving legal monopolies to those who had not asked for them, and did not want them, would disappear."); Ochoa, *supra* note 14, at 262 ("historically speaking, the public domain is the default status of any publicly disclosed idea or work").

thors, the notice requirement was softened in 1976 and eliminated in 1989.[35] These amendments do not apply retroactively. Therefore, understanding publication is still important because publication without notice before 1989 brought many U.S. works into the public domain.

Before 1978, authors had one more option in addition to the two paths described above. Because works could be publicly displayed or performed without being considered "published," art could be exhibited, plays could be staged, and music could be performed live for years without triggering the beginning of the copyright term. By choosing not to publish, an artist could delay entering either path and position the work for many additional years of federal copyright protection.

Knowing the publication date is critical for calculating the copyright term. Sometimes the date is easy to find. The publication date for a book or article is generally the date when copies were first offered for sale to the public, and the date of first publication is often marked in the first edition and reprinted in later versions. For many textual works, like books, it is easy to identify the moment of publication because there is much authority that states that a work is published when multiple copies are first distributed to the public.[36]

Tougher publication issues arise for works that are not textual, such as films, photographs, and paintings, or original documents, like handwritten letters that have not been circulated in copies.[37] A publication date cannot be discerned by examining the work itself. Many visual works exist only in original form. Calder mobiles and the large public sculptures by Henry Moore and Picasso fall into this category. Other works, such as photographs or prints, may exist only in a few copies. It is not easy to determine whether a public sculpture, a Ph.D. thesis donated to a library as a graduation requirement, photographs given to a museum, or architectural plans on file with a municipal zoning board have been published. Many of these works may not be sold in multiple copies, so a close look at

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35 Deborah R. Gerhardt, *Copyright Publication: An Empirical Study*, 87 NOTRE DAME L. REV. 135, 142 (2011).

36 Kramer v. Newman, 749 F. Supp. 542, 551 (S.D.N.Y 1990) (quoting Continental Casualty Company v. Beardsley, 253 F.2d 702, 707 (2d Cir. 1958)); KAPLAN, *supra* note 33, at 84 ("multiplication and general distribution of printed copies was surely a publication.").

37 R. Anthony Reese, *Public but Private: Copyright's New Unpublished Public Domain*, 85 TEX. L. REV. 585, 600 (2007) ("The concept of 'publication' in copyright law was traditionally relatively complex, so that many works that have been exposed to the public are nonetheless, as a matter of copyright law, unpublished. Such works might include works of visual art only displayed in galleries and museums, audio or audiovisual works only broadcast over radio or television, plays only performed live on stage, and motion pictures only shown in theaters and on television.").

the legal definition of publication is necessary to determine whether they are in the public domain.

Copyright uncertainty can confine these works to the dark vaults and basements of museums and libraries where they may be found by visitors who know of their existence but where they remain hidden from a broader audience. Archivists often hesitate to digitize such works because of the administrative costs required to resolve copyright issues and fear of litigation.[38]

Another complicating factor is that the meaning of "publication" in copyright law differs from our lay understanding of it as a synonym for "publicly available."[39] Some methods of making works accessible, such as public performance or display, are generally insufficient to establish publication as a matter of copyright law.[40] Museums and libraries often assume these works are unpublished and protected by copyright.[41] This conservative position is adopted for at least three reasons: (1) the works have not been published in a book or other media consistent with the common understanding of "publication," (2) leading treatises support the general interpretation that copyright doctrine supports treating these works as unpublished, and (3) nonprofit institutions are highly risk averse and want to avoid copyright liability.[42] These assumptions unnecessarily exacerbate

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38 PETER B. HIRTLE, EMILY HUDSON, & ANDREW T. KENYON, COPYRIGHT AND CULTURAL INSTITUTIONS: GUIDELINES FOR DIGITIZATION FOR U.S. LIBRARIES, ARCHIVES, AND MUSEUMS 171-72 (2009) ("Public comments were solicited [by the Copyright Office], and many of them documented how concerns over the orphan status of copyrighted works led cultural institutions to exclude them from digitization projects.").

39 For a more detailed analysis of how the lay definition of publication differs from the copyright law definition, see Gerhardt, *supra* note 35, at 150.

40 *See* King v. Mister Maestro, Inc., 224 F. Supp. 101 (1963) (concluding that Martin Luther King's famous "I Have a Dream" speech was unpublished); Jane Ginsberg, *The U.S. Experience with Mandatory Copyright Formalities: A Love/Hate Relationship*, 33 COLUM. J.L. & ARTS 311, 323, 328 (2010) (explaining that: "the legal norm became increasingly incoherent and unpredictable. . . . 'Unpublished,' . . . did not mean unexploited or undivulged . . . . Without a coherent concept of 'publication' under the 1909 Act, a number of rather arbitrary distinctions emerged").

41 Letter Edged in Black Press, Inc. v. Public Bldg. Comm'n of Chicago, 320 F. Supp. 1303 (N.D. Ill. 1970); WPOW, Inc. v. MRLJ Enters., 584 F. Supp. 132, 136 (D.D.C. 1984) ("As long as the work is not published, it is protected whether or not it is registered with the Copyright Office or a copyright notice is placed on the work.").

42 *See* Laura N. Gasaway, *A Defense of the Public Domain: A Scholarly Essay*, 101 Law Libr. J. 451, 457 (2009) ("Further, librarians and their institutions are notably risk averse. They may avoid any recommendations or situations in which they could be seen as supporting infringing activities"); Peter Hirtle, *Undue Diligence?*, 34 COLUM. J.L. & ARTS 55, 56 (2010) (observing "a

the problem, obscuring accessibility of many works that, as a matter of copyright doctrine, belong in the public domain.

The assumption of copyright protection is defensible. Curators of our historical heritage rightfully respect creative rights. The ethical code for archivists demands vigilant copyright protection.[43] When the law is uncertain, erring on the side of protection may be construed as an ethical obligation. Sometimes, even if a work is digitized for preservation, copyright fears will keep it locked in a "dark archive" that is not publicly visible.[44]

This cautious approach sometimes thwarts the mission of providing access to art and history. When copyright concerns prevent creators from using their preferred historical sources, their message may be distorted. The College Art Association filed a brief in Eldred v. Ashcroft describing how copyright challenges force thousands of individuals and institutions to make choices that prevent them from including the best historical examples in educational materials.[45] The award-winning interactive text and CD-ROM, "Who Built America?" (now used broadly in college history courses for studying twentieth-century American history) suffered from this problem.[46] The authors faced enormous challenges clearing copyrights for film clips, songs and photographs.[47] They often were forced to take out the best examples, and because works created by United States government employees are not protected by copyright, government works were often substituted in place of private photographs.[48] In addition to leaving unfortunate holes in cultural history, these choices emphasize the government's viewpoint. "Absent Disney, Warner Brothers and Gershwin, the New Deal being represented digitally appears to play a far greater role in American culture of the period than it actually did."[49]

Illuminating the unclear question of when works in museums and libraries are in the public domain is essential to increase access to art and history. A collection of photographs taken by Ben Dixon MacNeill documenting a North Carolina mining disaster will be used to show how copy-

great desire on the part of archivists to stay out of court . . . . Because archivists are risk averse, it is easiest to assume that the law stops us from doing many socially desirable things.").

43 *See* Jean Dryden. *Copyright Issues in the Selection of Archival Material for Internet Access*, ARCHIVAL SCI., June 2008, at 123-47, *available at* http://www.springerlink.com/index/d68378548316j886.pdf.

44 Gasaway, *Libraries, Digital Content, and Copyright*, *supra* note 1, at 763.

45 Brief of College Art Association et al. as Amici Curiae in Support of Petitioners, Eldred v. Ashcroft, 537 U.S. 186 (2003) (No. 01-618), 2002 WL 1041813 at 16-17.

46 *Id.* at *17.

47 *Id.*

48 *Id.* at *7.

49 *Id.* at *7 n.4.

right ambiguity may obscure access and distort our understanding of history. The final section of Part IV will revisit this collection to illustrate how the proposed solution can clarify whether archived works are in the public domain.

On May 27, 1925, three explosions ripped through the Carolina Coal Mine in Coal Glen, North Carolina.[50] The News & Observer dispatched Ben Dixon MacNeill to report on the incident. He wrote that it devastated the community, killing fifty-four men, "half of the adult male population of the little village of Coal Glen that clusters around the stolid, black-mouthed shaft of the Carolina Coal Mine."[51] Over several days, MacNeill shot photographs of five thousand people watching in silence as rescue crews unearthed the remains of husbands, sons and friends, many charred beyond recognition.[52] The tragedy left forty-three women widows and seventy-seven children fatherless.[53] It turned the adjacent town of Farmville into a ghost town and virtually put an end to coal mining in North Carolina.[54] At the time it happened, the newspapers reported that no other incident had claimed so many lives in the state.[55] The severity of the event and the devastating effect on the community led to passage of a Workers' Compensation Act of 1929, making North Carolina the 44th state to enact such legislation.[56]

To give a sense of how evocative these images are, two that were never published in the *News & Observer* are reproduced below.

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[50] Ben Dixon MacNeill, *More than 40 Men Entombed*, NEWS & OBSERVER, May 28, 1925, at page 1, col. 7.

[51] Ben Dixon MacNeill, *Half of Adult Males of Coal Glen Laid at Rest*, NEWS & OBSERVER, May 31, 1925, at page 1, col. 6.

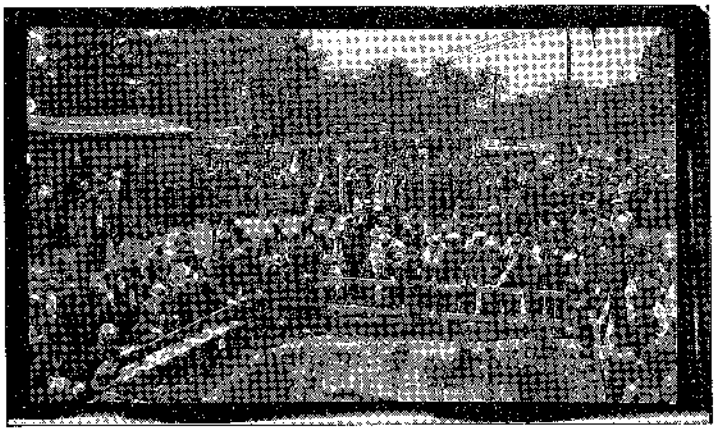
[52] *Id.*; Ben Dixon MacNeill, *Bodies of 16 Men Brought out by Rescue Crews Working in One Hour Shifts While Throngs Wait*, NEWS & OBSERVER, May 29, 1925, at page 1, col. 7.

[53] Ben Dixon MacNeill, *Work of Rescue at Coal Glen Declared Finished By Officials Of Company*, THE NEWS AND OBSERVER, May 31, 1925, page 1, col. 7.

[54] Ben Dixon MacNeill, *Half of Adult Males of Coal Glen Laid at Rest*, NEWS & OBSERVER, May 31, 1925, at page 1, col. 6.

[55] Ben Dixon MacNeill, *Governor Rushes Aid to Scene of Disaster*, NEWS AND OBSERVER, May 28, 1925, at page 1, col. 5.

[56] *Little Left at Site of Explosion*, WILMINGTON MORNING STAR, Sep. 2, 1992 p. 4B col. 1-3.



The Coal Glen Mine explosion could be a chapter in the story of North Carolina industrial history. But not one of fourteen North Carolina

history textbooks mentions the incident.[57] One text illustrates industrial accidents by referencing the infamous 1911 New York Triangle Shirtwaist Fire,[58] perhaps because the photographs printed in newspapers long before 1923,[59] are clearly in the public domain.[60]

Inaccessible facts about the Coal Glen mine explosion distort the state's sense of its own history. When a 1991 fire killed twenty-five workers in a North Carolina poultry plant, it was widely reported as the worst industrial accident in the state's history even though twice as many workers died in the Coal Glen mine explosion.[61]

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57 BARBARA M. PARRAMORE, THE PEOPLE OF NORTH CAROLINA (1ST ed. 1972); BARBARA M. PARRAMORE, THE PEOPLE OF NORTH CAROLINA (2d ed. 1983); WILLIAM S. POWELL, NORTH CAROLINA: THE STORY OF A SPECIAL KIND OF PLACE (1987); JAMES D. CHARLET, WILLIAM S. POWELL & DIXIE LEE SPIEGEL, NORTH CAROLINA: OUR PEOPLE, PLACES, AND PAST (1987); THOMAS C. PARRAMORE & DOUGLAS C. WILMS, NORTH CAROLINA: THE HISTORY OF AN AMERICAN STATE (1st ed. 1988); WILLIAM S. POWELL, NORTH CAROLINA: A PROUD STATE IN OUR NATION (1993); JAMES KILLORAN, STUART ZIMMER & MARK JARRETT, NORTH CAROLINA: THE TAR HEEL STATE (1997); JOHN L. BELL, JR. & JEFFREY J. CROW, NORTH CAROLINA: THE HISTORY OF AN AMERICAN STATE (2d ed. 1997); ALMA GRAHAM, NORTH CAROLINA: THE LAND AND ITS PEOPLE (1988); JAMES L. LELOUDIS, NORTH CAROLINA! (2003); JOHN R. BELL, JR. & JEFFREY J. CROW, NORTH CAROLINA: THE HISTORY OF AN AMERICAN STATE (3d ed. 2003); WILLIAM DEVERELL & DEBORAH GRAY WHITE, CREATION AND DEVELOPMENT OF NORTH CAROLINA IN UNITED STATES HISTORY 673 (2008); WILLIAM S. POWELL & JENNY BATTEN-WILEY, NORTH CAROLINA IN THE AMERICAN EXPERIENCE (2008); GARY FREEZE, NORTH CAROLINA LAND OF CONTRASTS (2009).

58 WILLIAM DEVERELL & DEBORAH GRAY WHITE, CREATION AND DEVELOPMENT OF NORTH CAROLINA IN UNITED STATES HISTORY 673 (2008).

59 Societé Civile Succession Guino v. Renoir, 549 F.3d 1182, 1189 (9th Cir. 2008) (explaining that "works published before January 1, 1923, are generally in the public domain").

60 Without knowing which photographs from the collection appeared in the newspaper, the copyright status of each image may be considered unclear. The notice where these images are kept reads, "Individuals making use of these images in their own work are responsible for copyright compliance." *See Remembering the Triangle Fire*, CORNELL UNIVERSITY ILR SCHOOL, http://www.ilr.cornell.edu/trianglefire/primary/photosIllustrations/index.html (last visited May 27, 2014).

61 *Memorial Marks 10th Anniversary of State's Worst Industrial Accident*, ASSOCIATED PRESS STATE & LOCAL WIRE, Sept. 3, 2001; *N. Carolina Plant Owner Sentenced in Fire Deaths*, UNITED PRESS INTERNATIONAL, Sept. 14, 1992, ("The owner of a chicken-processing plant where a fire last year killed twenty-five people in North Carolina's worst industrial accident pleaded guilty Monday to twenty-five counts of involuntary manslaughter and was sentenced to more than 19 years in prison"); Joseph Menn, *NC Workplace Safety Law Exempts Many in Most Dangerous Industries*, J. OF COMMERCE, Aug. 18, 1992 ("The chicken-processing plant had never been inspected

One barrier to broader dissemination of the collection may be the copyright notice in the Wilson Library at the University of North Carolina where MacNeill's papers are kept. The online library catalog provides:

Information For Users

- Restrictions to Access: No restrictions. Open for research.
- Copyright Notice: Copyright is retained by the authors of items in these papers, or their descendants, as stipulated by United States copyright law.[62]

Despite the general assertion that "copyright is retained," some photos in the collection are clearly in the public domain. Approximately ten of the images were printed in the *News & Observer* between May 28, 1925 and June 1, 1925, with no copyright notice near the photograph or in the paper's Masthead.[63] These images are in the public domain because they were published in multiple authorized copies without observing the required formalities.

What about the photographs that did not appear in the newspaper? None is marked with a copyright notice, and therefore, if they were published, they are in the public domain. The publication status of such works is too often ambiguous or misunderstood. Using a lay definition, an archivist may conclude that any photographs not reprinted in newspapers are unpublished. But one missing piece of evidence should not foreclose the possibility of publication. Broad print distribution is not necessary for a work to be considered published under copyright law. As the discussion below will show, donation to a public library and availability of copies may

before last year's fire, the state's worst industrial accident."); Dennis Patterson, *Employers Pay Average of $2,850 in Penalties for Each Worker Death*, ASSOCIATED PRESS, December 28, 1991 ("The records were sought following the Sept. 3 fire at Imperial Food Products in Hamlet, in which 25 people died. State investigators implicated workplace violations in some of the deaths, which made the accident the worst industrial accident in state history."); Paul Taylor, *25 Die as Fire Hits N.C. Poultry Plant; Locked Doors Are Said to Add to Toll*, WASH. POST, Sept. 4, 1991, at A1, ("in terms of the number of deaths, state officials believe that 'this is the worst case in state history' ").

62 Collection Overview of Ben Dixon MacNeill Papers, 1937-1960, UNC UNIVERSITY LIBRARIES, http://www.lib.unc.edu/mss/inv/m/MacNeill,Ben_Dixon.html (last visited May 22, 2014).

63 Ben Dixon MacNeill, *More than 40 Men Entombed*, NEWS & OBSERVER, May 28, 1925, at page 1, col. 7; Ben Dixon MacNeill, *Bodies of 16 Men Brought out by Rescue Crews Working in One Hour Shifts While Throngs Wait*, NEWS & OBSERVER, May 29, 1925, at p. 1, col. 7; Ben Dixon MacNeill, *Work of Rescue at Coal Glen Declared Finished by Officials of Company*, NEWS & OBSERVER, May 31, 1925, at 1, col. 7.

amount to publication, and therefore it is possible that the entire collection may be in the public domain.

The facts surrounding the donation are as follows. In 1960, Ben Dixon MacNeill died, and in 1965, his heirs donated his papers, including all of his photographs, to the Wilson library at the University of North Carolina.[64] The library records suggest that no restrictions were ever placed on the collection. It has been open to the public for decades. Some patrons requested and were given copies of the images.[65]

For photographs like these that were not previously distributed in a newspaper, their copyright status depends on whether they were published without the required formalities. From 1909 to 1978, creative works were protected by common law copyright until they were published.[66] Learned Hand noted that "publication of a copyrightable 'work' puts that 'work' into the public domain except so far as it may be protected by copyright. That has been unquestioned law since 1774."[67] Federal copyright protection began only if a work was published with the required formalities.[68] One of the most important formalities was placing a copyright notice on the work. To comply with the statute in effect at that time, the notice should have included the name of the copyright holder, the word "copyright" (the abbreviation copr. or the © symbol), and the date of first publication.[69] If a work was published without a proper copyright notice, federal copyright protection was forfeited at the moment of publication,[70] and the work entered the public domain.[71]

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64 *Collection Overview of Ben Dixon MacNeill Papers, 1937-1960*, *supra* note 62.

65 *See, e.g.*, Paul F. Wilson, *The Coal Glen Mining Disaster: 1925 Photographs*, ANCESTRY.COM http://freepages.history.rootsweb.ancestry.com/~pfwilson/cg_photos.html (last visited Aug. 10, 2012).

66 Acad. of Motion Picture Arts & Scis. v. Creative House Promotions, Inc., 944 F.2d 1446, 1452 (9th Cir. 1991); Letter Edged in Black Press, Inc. v. Public Bldg. Comm'n of Chicago, 320 F. Supp. 1303, 1308 (N.D. Ill. 1970).

67 National Comics Publ'ns, Inc. v. Fawcett Publ'ns, Inc., 191 F.2d 594, 598 (2d Cir. 1951).

68 Golan v. Holder, 132 S. Ct. 873, 879 (2012) ("For domestic and foreign authors alike, protection hinged on compliance with notice, registration, and renewal formalities."); 17 U.S.C. § 24 (1909) ("[T]he copyright secured by this title shall endure for twenty-eight years from the date of first *publication*.") (emphasis provided).

69 35 Stat. 1075, § 19 (1909). Although notice remains beneficial, it has not been required since 1989. *See* 17 U.S.C. §§ 401–412 (2012).

70 17 U.S.C. § 10 (1909) (providing "Any person entitled thereto by this title may secure copyright for his work by publication thereof with the notice of copyright required by this title; and such notice shall be affixed to each copy thereof published or offered for sale in the United States by authority of the copyright proprietor . . . .").

71 PAUL GOLDSTEIN, 1 GOLDSTEIN ON COPYRIGHT § 3.2.2 (3d ed. 2011).

Measuring the length of a copyright term requires consultation with several sections in Chapter 3 of Title 17 in the United States Code. Works that were created but not published before 1978 are governed by the copyright term provided in 17 U.S.C. § 302, which provides that copyright in a work created by an individual lasts until that person's death plus seventy years.[72] MacNeill died in 1960. Therefore, if his works were not published, the copyright term may last until 2030. Any evidence of publication could eliminate or lengthen the term. If the photos were published without notice before 1989, they are likely in the public domain. If they were published after 1989 but before 2002, the copyright will extend until 2047.[73]

Another potential complication is that MacNeill may have been requested to take the photos by the News & Observer. If the photos are considered "works for hire," the copyright "endures for a term of 95 years from the year of its first publication, or a term of 120 years from the year of its creation, whichever expires first."[74] The copyright term is twenty-five years shorter when it begins at publication. If any of the 1925 mine explosion photos were not published before 1950, the copyright would last for 120 years after they were created or until 2046.

If one assumes the photos are unpublished, the library's warning makes sense. Irrespective of facts about ownership, the photographs in this collection would be protected by copyright at least until 2030 if they remained unpublished through 1989. Even if the library had the time and resources to sort through these issues, it would be difficult to pinpoint the exact copyright term if answers to certain factual questions (such as whether the photos were works for hire) cannot be found. Of course, the copyright owner could give permission to use the photos, but that person may be difficult to identify or impossible to find.[75]

Copyrights in the MacNeill photographs not printed in the *News & Observer* will last for decades unless they can be considered published when they were deposited in the public library. Because the photos are not marked with a copyright notice, publication would have put them in the public domain. Many twentieth-century works found in public museums and libraries in the United States raise this same question. Were they published, and if so, when? Pinpointing the moment of publication is cru-

72 17 U.S.C. §§ 302–303 (2012).

73 *Id.*

74 *Id.* § 302(c).

75 Rebecca Tushnet, *Article: My Library: Copyright and the Role of Institutions in a Peer-to-Peer World*, 53 UCLA L. REV. 977, 1028 (2006) ("Orphan works activists have collected numerous stories of socially beneficial projects and creative endeavors stymied by failure to find copyright owners.").

cial to determining whether millions of such works are in the public domain.

The Framers gave Congress the power to create copyright laws to encourage learning, but since then, unclear questions of copyright doctrine frequently have the opposite effect. Copyright uncertainty can lock content under such a dense thicket of legal barriers that it obscures the truth. Libraries and museums are filled with U.S. works that could illuminate historic facts and our cultural heritage. Too often, due to unclear copyright issues, these works are hidden from public view. If the Coal Glen Mining disaster images, and millions of other archived works, are in the public domain as a matter of copyright law, the founders' purpose of using copyright to promote learning may be achieved. The copyright publication doctrine is an ideal tool for clarifying when works like these are in the public domain, and may be digitized for broader public access.

II. STATUTORY DEFINITION AND TREATISES

This statutory definition of publication in federal copyright law is the logical place to begin searching for language that may help resolve the copyright ambiguity of archived works.

A. The Statutory Definition

In the 1976 Copyright Act, Congress defined publication as follows:

> The distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute a publication.[76]

This statutory definition does not mention depositing works in public archives, and therefore does not expressly state whether works donated to a public library or museum may be considered published. But it does answer some other questions, such as whether a work may be considered published if it is not distributed in multiple copies.

The statute begins by tracking the lay meaning of publication. Distributing copies to the public amounts to publication. Publication can also occur through a sale, or transfer of ownership, rental, lease or lending. It is important to note that the definition does not end there. It contains two additional sentences, both of which make "publication" a term of art in copyright as these additional meanings do not necessarily comport with the lay meaning.

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[76] 17 U.S.C. § 101 (2012).

The second sentence provides that "*offering* to distribute copies . . . for . . . further distribution . . . or public display constitutes publication."[77] This language suggests that when a library lends copies of a work or makes it available for others to copy or display, the work should be considered published, even if it has never been reproduced in multiple copies such as a book or newspaper.

In the final sentence, the statute clarifies that the existence of copies or the opportunity to make them remains important to understanding publication in copyright law. Public performance or display "does not of itself constitute a publication."[78] If art is available to be seen but not photographed, or if an original document may be read, but not copied, the statute suggests it is not published.[79] Still, the second sentence of the definition embraces the possibility that a work on display may be published if copies are available to the public.

Another question raised by the statutory language is whether it is possible to publish an original work that has not yet been duplicated even in a single copy. In other words, does publication require making a multitude of copies available for wide distribution? Alternatively, could distribution of a few copies, a single copy or an original work constitute publication?

Section 101 refers to "copies" and does not specify whether it applies to original works or if distributing one copy may amount to publication. Some insight may be found in another part of the statute. The plural term "copies" used in the publication definition is defined in Section 101 as including "the material object, other than a phonorecord, in which the work is first fixed."[80] That provision does not indicate that a single copy is included in the definition of copies. But because an original work is a single copy, and the definition embraces original works, it is possible that distribution of an original or a single copy would be deemed sufficient to support publication. Therefore, the statutory definition of "copies" may be used to support the claim that even a single copy or original work distributed to the public may be published.[81] The statutory definitions do not provide a direct answer to whether works deposited in a library or museum are published but they do suggest that an unrestricted collection available to the public for copying may amount to publication.

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[77] *Id.* (emphasis added).

[78] *Id.*

[79] *Id.*

[80] *Id.*

[81] This interpretation is consistent with some judicial interpretations of publication that predate the 1976 Act. *See, e.g.*, Grandma Moses Props., Inc. v. This Week Magazine, 117 F. Supp. 348 (S.D.N.Y. 1953) (holding that the plaintiff's success was so unlikely that it precluded granting summary judgment).

With more publicly available copies, establishing publication becomes easier. However, the statute indicates that publication is no longer a prerequisite for entering the public domain. Since enactment of the 1976 Copyright Act, unpublished works are now in the public domain if they were not registered or published before 2002 and the author died before 1933.[82] As a result of this revision to the duration statute, a work does not have to be public at all before it enters the public domain.[83]

While the 1976 Copyright Act leaves open the possibility that an archival deposit may amount to copyright publication, it does not resolve this issue.

B. Leading Treatises

Several copyright treatises discuss whether depositing a work in a public archive constitutes copyright publication. However, they do not satisfactorily resolve the ambiguity for works in public collections. By lumping all archived works together and treating them as one category, the treatises may have aggravated the problem by applying a set of assumptions that do not make sense in every case.

The treatise that devotes the most space to this issue is *Nimmer on Copyright*. Interestingly, instead of relying on the statutory language, Nimmer defines "publication" differently than Congress did, stating that publication occurs "when, by consent of the copyright owner, the original or tangible copies of a work are sold, leased, loaned, given away or *otherwise made available* to the general public, or when an authorized offer is made to dispose of the work in any such manner, even if a sale or other such disposition does not in fact occur."[84] The Nimmer treatise exerts such strong influence over copyright understandings that federal courts sometimes apply it in place of the statutory definition.[85]

The Nimmer definition provides that works are deemed published if they were "otherwise made available to the general public," but the justification for this category is not immediately apparent. It does not appear in

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[82] Reese, *supra* note 37, at 591-92.

[83] *Id.* at 615 ("The legal public domain is no longer entirely a subset of all works that have been made public. Instead, many works that have been kept private and as a factual matter are not available to the public are now, as a legal matter, unprotected by copyright law and free for the public to copy, if the public ever gets access to them. The word 'public' in the phrase 'public domain' still captures the lack of private property rights in those works, but no longer accurately reflects a lack of privacy in them.").

[84] 1 NIMMER & NIMMER, supra note 13, § 4.03, at 4-20–4-21 (emphasis added and footnotes omitted).

[85] *See, e.g.*, Shoptalk, Ltd. v. Concorde-New Horizons Corp., 168 F.3d 586, 590 (2d Cir. 1999) (quoting Barok v. Boosey & Hawkes, Inc. 523 F.2d 941, 945 (2d Cir. 1975)).

the statutory definition. Nimmer does not specify the meaning of "otherwise made available." He surely does not intend that all means of making works otherwise available constitute publication. Like the statutory definition, the treatise excludes works that were only publicly performed or displayed.[86] No sufficient guidance is given to understand what types of distribution should be considered "otherwise made available to the general public." One may interpret this category to include works made available to the public by museums and libraries. The plain meaning suggests that photographs in a library that are available for the public to copy would be published.

Nonetheless, the Nimmer treatise does not apply the logic of its "otherwise made available" language to works in public archives. The treatise correctly suggests that the copyright meaning of "publication" depends on a variety of variables, including the degree to which the copyright owner gave up control of physical copies to the public.[87] It also asserts that the definition embraces the understanding that "the work is published when the reproductions are publicly distributed or offered to a group for further distribution or public display."[88] Yet Nimmer qualifies the publication definition in certain contexts, including deposits in "public files."[89] The treatise excludes such deposits from its general claim about works "made available to the public," asserting that:

> [p]lacing a work in a public file on or after January 1, 1978, clearly does not constitute an act of publication . . . . Some pre-1978 cases held that filing in a governmental office constitutes a publication. However, the better view was that such filing did not constitute a publication.[90]

The treatise does not explain this preference. It concedes that the few courts that addressed it reached different answers. Most of the opinions cited for the "better view" are state court decisions about the publication of architectural works.[91] The 1976 Act made it clear that all such questions are exclusively the province of federal, not state law.[92] Without looking more closely at the decisions, it is not clear at all why a handful of state court questions lead to a conclusive answer. My empirical study

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86 1 NIMMER & NIMMER, *supra* note 13, § 4.03.

87 *Id.*

88 U.S. COPYRIGHT OFFICE, CIRCULAR 40, COPYRIGHT REGISTRATION PICTORIAL, GRAPHIC, AND SCULPTURAL WORKS (2013), *available at http://www.copyright.gov/circs/circ40.pdf* (last visited May 22, 2014).

89 1 NIMMER & NIMMER, *supra* note 13, § 1: 4.10.

90 *Id.*

91 *Id.*

92 17 U.S.C. § 301 (2012).

showed no difference in the variables that influenced publication decisions in federal court before or after passage of the 1976 Act.[93]

The Nimmer treatise also does not specify what it means by a "public file." The cited decisions indicate it would include government offices where architectural drawings must be deposited to get a building permit. The treatise dodges the issue of whether a public library or museum should be regarded in the same way. It also does not inquire into whether the copyright owner's intent makes a difference. Nimmer's preferred cases focus on architectural works deposited to comply with zoning requirements, not for purposes of sharing the work with a public audience. Therefore, we are left wondering whether this "better view" should be restricted to architectural drawings filed before local zoning boards. No clear basis exists for applying this precedent to works in other archives, such as photographs, paintings, and drawings given without copying restrictions to public museums and libraries for the purpose of providing broad public access. If all of these deposits are considered public filings and such works are to be considered unpublished and protected by copyright, one is left wondering (after excluding public performances, displays, and deposits in public files) what is left in the "otherwise made available" category of published works.

Paul Goldstein's treatise is more circumspect, stating that deposits in the Copyright office or with building officials generally do not result in divestive publication, but notes that this trend is not universally so.[94] He suggests that a court could find that a publicly filed work is published "in the absence of controls on public copying."[95] Goldstein is on the right track in his nuanced interpretation, but does not take the additional steps of applying his reasoning to works in museums and libraries.

William Patry leaves open the possibility that archived works may be deemed published, but his treatise also leaves some latent ambiguities unresolved. Unlike Nimmer, Patry expressly states that works made available may be considered published even before the 1976 Act became effective. He explains that the "rule under the 1909 Act for works of art and other exhibited works seems to have been that where the work was exhibited or distributed in a way that made it available to the public for copying, a general publication occurred absent express restrictions."[96] Pa-

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93 In a previous comprehensive study of federal copyright publication decisions, I found no evidence that courts began applying a different understanding of publication after passage of the 1976 Act. Therefore, the study included opinions decided both before and after the 1976 Act. Gerhardt, *supra* note 35, at 194.

94 1 GOLDSTEIN, *supra* note 71, § 3.2.2.4.

95 *Id.*

96 WILLIAM F. PATRY, 3 PATRY ON COPYRIGHT § 6:32 (2008).

try also asserts that under the definition of "publication" in the 1976 Act, "actual distributions of copies to one person for further distribution is indisputably a publication."[97]

These provisions suggest that the Patry treatise supports the possibility that a work transferred to a library or museum for further distribution to the public may be considered published. Yet again, based on an analysis of precedent focused on architectural works, Patry concludes that library deposits should be considered unpublished.[98] Taken together, the treatises do not provide sufficiently clear guidance on the copyright status of works publicly available in museums and libraries.

III. PRECEDENT

Judicial precedent is the next source to consider. As seen in the Nimmer and Patry treatises, conventional wisdom among copyright experts treats all archived works the same, assuming that deposits in museums, libraries, and government offices all decrease the likelihood that a work is published. This section shows that the treatises do not adequately reflect important variation in copyright precedent. Although their view makes sense for the subset of publication decisions addressing architectural plans filed for zoning purposes, judicial precedent does not support the broader claim that all archived works belong in this category. Courts use a more nuanced approach and adjust their publication findings depending on a variety of factors including copyright owner intent and the acts that lead to availability of copies.

A. The Data

The empirical foundation for Part III is a dataset of 446 federal copyright publication opinions decided before 2011.[99] In a previous article, I analyzed these data to show general patterns in copyright publication decisions, and identified the variables that had the strongest influence on publication decisions in the public domain context.

Copyright decisions analyzing publication for other purposes were excluded. For example, opinions that decide whether a work is published for fair use analysis were not included because courts use a less nuanced publication standard in that context.[100] Whether a work is "published" is one

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97 *Id.* at § 6:49.

98 *Id.* at § 6:50. ("No general publication has been found . . . where architectural plans were filed with local permit authorities or distributed to a limited group of contractors . . . or where deposit was made with a library.").

99 Gerhardt, *supra* note 35, at 154.

100 *See, e.g.*, Salinger v. Random House, 650 F. Supp. 413 (S.D.N.Y. 1986) (refusing Salinger's request for an injunction).

sub-issue courts consider under one of the four fair use factors.[101] Following *Harper & Row v. Nation Enterprises*,[102] fair use opinions that determine whether a work is published often focus on whether the defendant violated the author's right of first publication, not whether the work was published at all. In fair use cases, courts generally equate publication with "public availability" and avoid using the doctrinal distinction of limited and general publication used in duration analysis.[103]

Decisions were also omitted if they looked at publication only to discern whether a particular defendant infringed a copyright owner's exclusive right to publicly distribute a work under 17 U.S.C. § 106(3).[104] In Section 101 publication decisions, courts assess all acts of distribution, both authorized and unauthorized, to decide whether a particular work is published and in the public domain. When deciding if a defendant violated Section 106(3), the court's attention is much more narrowly focused on the unauthorized conduct of a particular defendant. In Section 106(3) opinions, "published" is sometimes used as a synonym for publicly distributed, but courts often apply a narrower definition of publication than they do in the public domain context.[105] Some courts have found that Section 106(3) is not infringed when a work is "offered for sale or distribution," but has not yet been distributed.[106] Therefore, the Section 106(3) meaning of publication is narrower than the Section 101 definition which includes "*offering* to distribute copies . . . ."[107] Due to these differences, opinions considering publication only for Section 106 infringement purposes were excluded because they would not advance our understanding of whether a work is "published" and in the public domain under Section 101.

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101 *Id.* at 422.

102 471 U.S. 539 (1985).

103 Gerhardt, *supra* note 35, at 202.

104 *See, e.g.*, Hotaling v. Church of Latter Day-Day Saints, 118 F.3d 199, 201 (4th Cir. 1997) (holding that a library violates an author's exclusive right to publicly distribute a work under 17 U.S.C. § 106(3) "when it places an unauthorized copy of the work in its collection, includes the copy in its catalog or index system, and makes the copy available to the public").

105 Venegas-Hernandez v. Ass'n De Compositores & Editores de Musica Latinoamerican, 424 F.3d 50, 57-8 (1st Cir. 2005); Nat'l Car Rental Sys., Inc. v. Computer Assocs., Inc., 991 F.2d 426, 434 (8th Cir. 1993); London-Sire Records, Inc. v. Doe 1, 542 F. Supp. 2d 153 (2008) ("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."); *but see* Hotaling v. Church of Jesus Christ of Latter-Day Saints, 118 F.3d 199 (4th Cir. 1997) (making unauthorized works available on loan through a public library may constitute a violation of the distribution right).

106 *See supra* note 105.

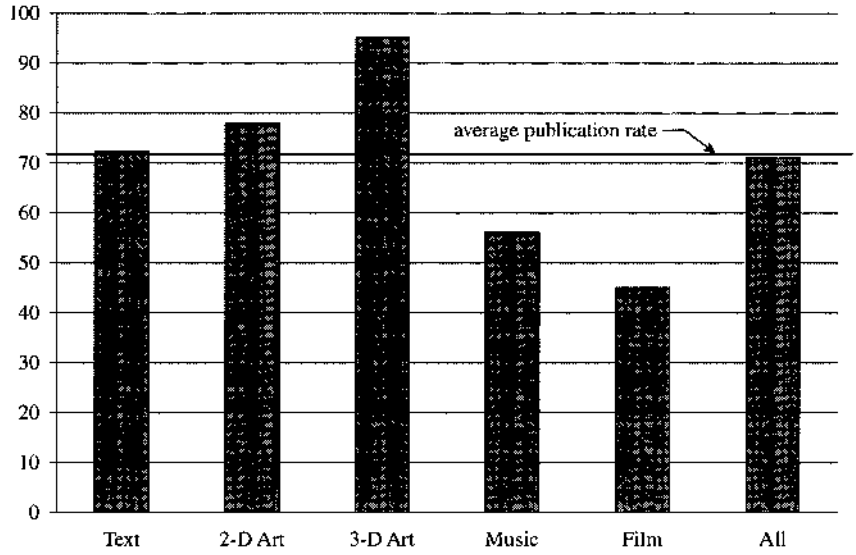
107 17 U.S.C. § 101 (2012) (emphasis added).

State court precedent was also excluded. Now that federal law has preempted state court views on copyright publication, federal courts are far less likely to use these state court decisions as copyright publication precedent.[108]

B. General Patterns in Publication Decisions

Because so few judicial opinions address archived works, the variables that affect courts in all copyright publication decisions provide some helpful insights. The first several tables depict how the type of work correlates with publication conclusions. Figure 1 summarizes how often federal district courts find works to be published in six broad categories. Overall, district courts find works to be published 71% of the time. The horizontal line in Figure 1 shows the average rate for all works.

Figure 1: Percentage of District Court Public Domain Decisions Finding Publication by Type of Work



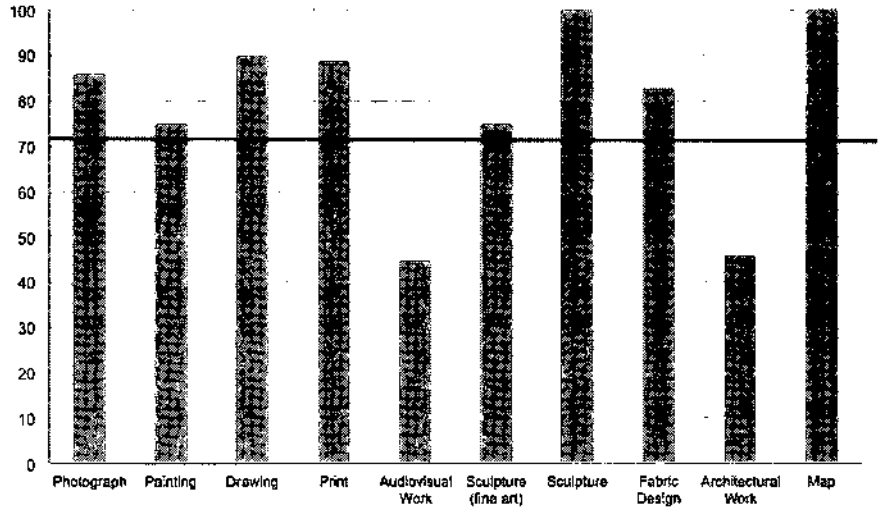
Textual works, like books and magazines, match the average for all works. This finding is not surprising because the copyright publication doctrine emerged from analysis of textual works printed in multiple copies, such as books and magazines. Often, courts must apply this standard developed for text to other types of works. In fact, when examined over time, textual works do not constitute the majority of works at issue in publication decisions. Only 39% of the district court decisions have analyzed a textual

108 *But see* 1 NIMMER & NIMMER, *supra* note 13, § 4.10.

work, even though "text" is defined broadly to include software and factual compilations in addition to books, articles, poems, letters, and plays.[109] As Figure 1 illustrates, works of visual art were found to be published more often than average while musical and audiovisual works were deemed published less frequently.

Figure 2 illustrates publication rates for ten specific categories of visual art:

Figure 2: Percentage of Visual Art District Court Decisions Finding Publication



Courts often found that visual works were published. In eight of the ten categories, publication findings exceeded the 71% average. Six categories (photographs, drawings, prints, sculpture, fabric design, and maps) exceed the average by more than 10 percentage points. The two shortest bars in Figure 2 reflect two prominent exceptions. Audiovisual works (45%) and architectural works (46%) were found to be published much less frequently.

Some caution is warranted with respect to these findings. The sample size for all of these categories is small, and for some it is less than a handful of cases. Figure 3 indicates how many decisions were present in each Figure 2 category. Because the average publication rates for paintings, maps, and fine art sculpture are based on only three or four opinions, they may not reflect a reliable precedential pattern.

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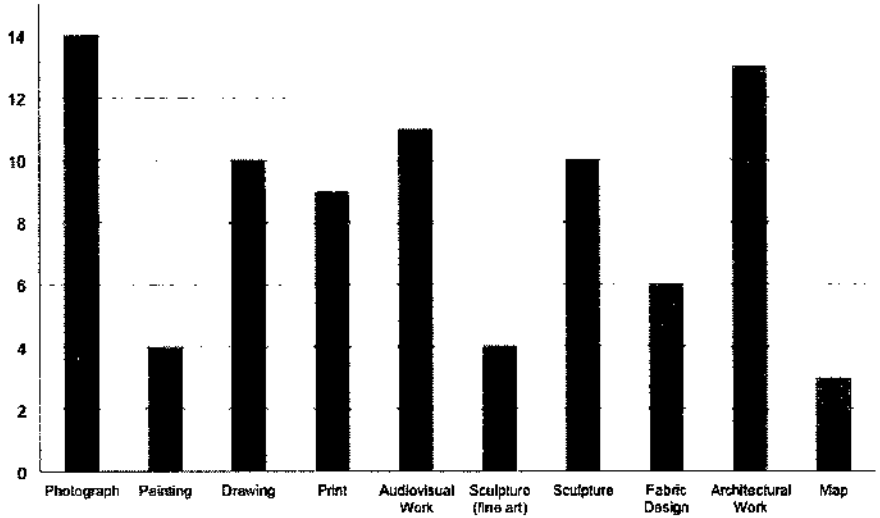
[109] Test questions and answers are included in this analysis. Printed advertisements containing both two dimensional art and text were excluded.

Figure 3: Number of District Court Decisions By Type of Work



In contrast, at least ten decisions adjudicated disputes involving photographs, audiovisual, and architectural works. Therefore, the following discussion will explore possible reasons why architectural and audiovisual works were found to be published much less frequently than photographs. The statutory definition suggests that works made available in public archives may be published while the treatises generally conclude they are not published. As noted above, architectural works are found to be published less frequently than other works of visual art. Similarly works deposited in government archives are significantly less likely to be found published than those deposited in museums and libraries.

These findings raise interesting questions about what drives these results. Are courts making publication decisions based on the type of work? The nature of the archive? Or do these variables mask the effects of other factors? To begin answering these questions, I conducted a regression analysis to determine which variables are most significant to federal district courts that analyze copyright publication issues when deciding whether a work is in the public domain.[110] Interestingly, the regression analysis showed that the type of work did not influence publication decisions.[111]

The variable having the greatest impact is a deposit in a government archive. In these cases, courts made specific findings that the work was deposited in the files of a government organization. Architectural plans

110 Gerhardt, *supra* note 35, at 153-54.
111 *Id.* at 195.

deposited in the offices of zoning boards are the most common examples. When this variable is present, it reduces by 56% the probability of finding that the work was published.[112]

Deposits in educational collections, like museums and libraries, did not reflect a similar statistical significance. Based on these overall findings, practitioners and copyright scholars should not treat all archived works as one undifferentiated set. The type of archive matters. Works deposited with government zoning boards were significantly less likely to be found published than works donated to museums and libraries.

A work was also less likely to be found published if a court noted that the original was sold or that it was rented, leased or loaned.[113] These findings were unexpected because Congress included both acts as examples of publication.[114] Therefore, it was surprising to see that these variables significantly decrease the likelihood that the court will find the work published. District courts are 50% more likely to find that a work was not published when they state that the original work was sold. They are 32% less likely to find a work published when reporting that it was rented, leased or loaned. A finding that a work was publicly displayed did not reflect a statistically significant trend. For these works, courts rely on other factors.

The presence of authorized copies is the one variable that significantly increases (by 28%) the probability of finding publication. This observation was expected because sales of multiple copies are the most obvious examples of publication.

The study of judicial decisions revealed subtle patterns that are not apparent in the statutory definition or explanations in leading treatises which examined only a handful of decisions. Next, judicial opinions that analyzed works deposited in public repositories will be examined to determine whether these courts relied, as we would expect, on the variables that mattered to courts in the general population of publication decisions.

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112 *See, e.g.*, McIntosh v. N. Cal. Universal Enters. Co., 670 F. Supp. 2d 1069, 1097-98 (E.D. Cal. 2009) (limited publication); John G. Danielson, Inc. v. Winchester-Conant Props., Inc., 186 F. Supp. 2d 1, 18 (D. Mass. 2002) (no publication); MacMillan Co. v. I.V.O.W. Corp., 495 F. Supp. 1134, 1145 (D. Vt. 1980) (limited publication).

113 The transfer of a work as a gift did not reflect statistical significance. Gerhardt, *supra* note 35, at 187, 193, 198.

114 17 U.S.C. § 101 (2012).

C. *Precedent Analyzing Works Deposited in Museums, Libraries and other Public Repositories*

1. Deposits in Museums and Libraries

No federal court has yet resolved whether a work is published based solely on its availability in a public library or museum. A handful of federal courts have considered this variable in connection with other distributions. These decisions illuminate important principles to consider in determining whether archived works are published.

Most famously, in *American Tobacco Co. v. Werckmeister*,[115] the United States Supreme Court held that a painting publicly displayed in a gallery was not published because the gallery prohibited the public from making copies.[116] At issue was a painting by W. Dendly Sadler called "Chorus."[117] Prints had been sold with a copyright notice, but the Royal Academy exhibit in London displayed the original painting without a notice as required by statute.[118] The Court held that general publication does not result from:

> the exhibition of a work of art at a public exhibition where there are bylaws against copies, or where it is tacitly understood that no copying shall take place, and the public are admitted to view the painting on the implied understanding that no improper advantage will be taken . . . the circumstances of this exhibition conclusively show that it was the purpose of the owner, entirely consistent with the acts done, not to permit such an inspection of his picture as would throw its use open to the public.[119]

Werckmeister establishes some important principles. It affirmed the idea, now codified in 17 U.S.C. § 101, that public display alone does not result in publication. Based on this authority, displaying a work in a public collection where it is available only to be seen will not constitute publication.

Werckmeister also shows the critical importance of both the copyright owner's purpose and whether it was achieved by restricting public access to copies. Public exhibition of "Chorus" was not a publication because the

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115 Am. Tobacco Co. v. Werckmeister, 207 U.S. 284 (1907).

116 Like the 1909 Act, the copyright statute effective at the time required all published works to be marked with a copyright notice. It provided, "no person shall maintain an action for the infringement of his copyright unless he shall give notice thereof by inserting in . . . every edition published . . . the following words, *viz.*: 'Entered according to act of Congress, in the year ____, by A. B. in the office of the Librarian of Congress, at Washington;' or, at his option, the word 'copyright,' together with the year the copyright was entered, and the name of the party by whom it was taken out." U. S. Comp. Stat. 1901, § 4962.

117 *Werckmeister*, 207 U.S. at 285-86.

118 *Id.* at 286-87.

119 *Id.* at 300.

gallery prevented reproduction. The Court repeatedly emphasized that the Royal Academy forbade visitors from making copies. In addition to the language quoted above, the Court stated: "[t]here is no permission to copy . . . officers are present who rigidly enforce the requirements of the society that no copying shall take place. . . . the greatest care was taken to prevent copying."[120] Not only was the purpose stated, the owner acted on that purpose by putting safeguards in place consistent with the expressed intent not to allow copying.

The Court added that if copying had been permitted, the result might have been different:

> We do not mean to say that the public exhibition of a painting or statue where all might see and freely copy it, might not amount to publication within the statute, regardless of the artist's purpose or notice of reservation of rights which he takes no measure to protect. But such is not the present case, where the greatest care was taken to prevent copying.[121]

The Court emphasizes the importance of copyright owner intent, explaining, "it is well to remember that the property of the author or painter in his intellectual creation is absolute until he voluntarily parts with the same."[122] But what does "voluntarily" mean in this context? The opinion suggests that an author's intent to keep the copyright alone is insufficient. Rather, courts should look at whether the copyright owner acted in a way that showed an intent to part with the exclusive right to make copies. The Supreme Court held that no such intent can be found when the original was displayed for public view with clear admonitions against copying. Werckmeister established that publication does not occur if (1) the copyright owner expressly intended to prevent public availability of copies and (2) the public is prohibited from copying a work displayed in a public collection. The Supreme Court stated that a finding of publication of a work is possible "where all might see and freely copy it."[123]

Although no federal court has yet considered whether making a work available in a public archive can by itself constitute publication, five district courts have considered whether publication occurred through distributions that included availability in public museums and libraries. The following chart summarizes these opinions.

120 *Id.*
121 *Id.*
122 *Id.* at 299.
123 *Id.* at 300.

Publication Conclusions in District Court Opinions Considering Works in Museums or Libraries

Citation	Work	Publication Decision
Letter Edged in Black Press, Inc. v. Public Building Commission of Chicago, 320 F. Supp. 1303 (N.D. Ill. 1970)	Picasso Sculpture in Chicago	General Publication
Bell v. Combined Registry Co., 397 F. Supp. 1241 (N.D. Ill. 1975)	Poem "Desiderata"	Published
National Broadcasting Co. v. Sonneborn, 630 F. Supp. 524 (D. Conn. 1985)	Film production of Peter Pan	Limited Publication
Curtis v. Benson, 959 F. Supp. 348 (E.D. La. 1997)	Architectural work (Superdome Drawings)	Not Published
Kramer v. Newman, 749 F. Supp. 542 (S.D.N.Y. 1990)	Agee papers	Question of Fact

There are five conclusions a district court can reach on the publication issue: publication, general publication, limited publication, not published, or it could decline to make a finding if there is a question of fact. As displayed in the chart above, each of the five decisions that mention a library or museum deposit results in one of these five possibilities.

Doctrinally, the first two and second two categories have the same legal effect. Concluding that a work was "published" is doctrinally equivalent to a finding of "general publication."[124] Limited publication occurs when one shares content with "a definitely selected group and for a limited purpose, and without the right of diffusion, reproduction, distribution or sale."[125] As illustrated in *Werckmeister*, limited publication is doctrinally equivalent to not being published at all.

The factual scenario that could have led to a decision on whether a library deposit alone may amount to publication was the one before the court in *Kramer v. Newman*.[126] Victor Kramer, an English professor at Georgia State, sought to publish a book entitled *The Development of Agee's Career as a Writer: Literary Documents of Twenty Years* about the famous American author James Agee.[127] After being denied permission

[124] *See, e.g.*, Burk v. Nat'l Broad. Co., Inc. 598 F.2d 688, 691 (1st Cir. 1979) ("General publication occurs when a work is made available to members of the public at large without regard to who they are or what they propose to do with it.").

[125] White v. Kimmel, 193 F.2d 744, 746-47 (9th Cir. 1952).

[126] Kramer v. Newman, 749 F. Supp. 542 (S.D.N.Y. 1990).

[127] *Id.* at 543.

to include Agee's writings in his book, Kramer filed a declaratory judgment action seeking judicial approval for the inclusion of seventeen textual works. In 1964, based on Kramer's suggestion, the University of Texas had purchased some original Agee papers for $15,000 and since that time, they had been available to scholars for review.[128] Kramer apparently did not present evidence that public accessibility of specific excerpts amounted to publication.[129] Some of the text had previously been published in Kramer's dissertation but the disorganized state of the record made it impossible for the court to know which ones.[130] Similarly, the Trust did not assert that scholarly access was no more than a limited publication. The library had a list of forty-five scholars who had accessed and used parts of the collection. Moreover, the list was clearly incomplete, as it did not include the name of the plaintiff, who was one of the most frequent users.[131] Because the pleadings raised so many material fact questions, the court denied Kramer's motion for summary judgment. By raising the issue of publication, the district court signaled that at trial, it would look for evidence indicating whether access to the Agee papers had been restricted.[132] The court never had an opportunity to resolve these factual issues. The final docket entry suggests that the case settled before going to trial.[133]

The district court in *Curtis v. Benson*[134] also missed the opportunity to consider whether a library deposit may constitute publication. Here, the architect who designed the Louisiana Superdome sued the New Orle-

128 *Id.* at 546.

129 *Id.* at 548, 551.

130 *Id.* at 551-52 ("Although many scholars have had access to the manuscripts collection, comprehensively viewed, we find the factual record deficient in two respects: first, what access have particular scholars had to particular documents in the collection that are germane to plaintiff's proposed book, and second, and more importantly, to what use have those scholars put those documents? Although we find the Trusts' responding papers strangely silent on the entire question of limited publication, which would prevent summary judgment, we cannot grant it on the generalized argument of plaintiff that undifferentiated manuscripts were examined by readers in a research library so there was ipso facto general publication.").

131 *Id.* at 548.

132 *Id.* at 550.

133 *Id.* at 552. The docket sheet suggests that the case settled and was dismissed before the February 1991 trial date. *See* Kramer v. Newman, 1:89cv06114 (Docket) (Sept. 15, 1989), *available at* https://web2.westlaw.com/find/default.wl?db=177039&rs=WLW12.04&vr=2.0&rp=%2ffind%2fdefault.wl&sv=Split&fn=_top&findtype=%23&mt=205&docname=LINK-GUID(IC91CFF68BFBB11D88018E6C245D36A04)&RLT=CLID_FQRLT576913718122287&TF=756&TC=1&n=1 (indicating that on 12/27/1990, the case was dismissed).

134 959 F. Supp. 348 (E.D. La. 1997).

ans Saints and the stadium's owners, claiming that they infringed his copyright in the architectural plans.[135] Defendants filed motions for summary judgment asserting that the plans were in the public domain after being published without notice. Defendants also claimed that the plaintiff lost any intellectual property he had in the plans in 1967 when he donated the original drawings to the Tulane Southeastern Architectural Archives.[136] The court found that the defendants made multiple unauthorized copies, and unequivocally held that with respect to these acts, "the summary judgment submissions on behalf of the plaintiff indicate that any publication of his architectural drawings occurred without his permission and thus publication did not occur."[137]

In contrast to Newman, this court did not sua sponte raise the question of publication with respect to plaintiff's donation of the plans to Tulane. The court does not state whether the drawings were marked with a copyright notice. It seems to question only whether Tulane acquired ownership of the plaintiff's copyright by the terms of the transfer. The documentary evidence showed that access to the collection was restricted; although scholars were permitted to view the plans, no one was permitted to copy them.[138] Although the opinion is not a model of clarity, the archiving of the drawings was not part of the court's publication finding.[139] Therefore, this precedent does not contribute to our understanding of copyright publication, except perhaps as another case that may be cited for the proposition, established in *Werckmeister*, that unauthorized distribution by a defendant will not be sufficient to establish publication.

In *National Broadcasting Co. v. Sonneborn*,[140] the court considered whether a 1960 film recording of Peter Pan was published. NBC had policies requiring that all copies of the film were to be returned, but did not always follow through on reclaiming all distributed low quality versions, such as kinescopes.[141] In 1976, NBC donated a copy of the film to the Museum of Broadcasting under an agreement that gave scholars and researchers the right to view the print, prohibited any commercial use, and

135 *Id.*

136 *Id.* at 350.

137 *Id.* at 352.

138 *Id.* at 352-53 (the donation was given under the express conditions "(1) that the property will be placed in the architectural archives in a way that will contribute to its security and preservation; (2) that the property shall be made available to scholars for research purposes; and (3) that the property will not be sold, traded or dispersed during the lifetime of the plaintiff without his prior consent").

139 *Id.* The court did not mention the terms "publish," "publication," "notice" or "public domain" in analyzing the effect of the archival donation.

140 630 F. Supp. 524 (D. Conn. 1985).

141 *Id.* at 529, 536.

gave title to the print itself but not to "any artistic or literary rights."[142] It limited copying to "any purpose specified."[143] NBC also gave a copy to Mary Martin, the film's star, "for her personal and private library purposes only."[144] The defendant, Jonathan Sonneborn, found a damaged kinescope of the film in the East Brunswick, New Jersey library. He offered to repair the library's copy, if it agreed to permit him to reprint it in videocassettes.[145] He did not find anything in the United States Copyright office records indicating that NBC claimed copyright in the film, and relying on the belief that it was in the public domain, his spring 1980 catalog offered cassettes of the 1960 Peter Pan broadcast.[146] When NBC learned of these sales, it sued him for copyright infringement. Sonneborn argued that the works had been published without notice, and were therefore in the public domain. The district court disagreed. Although it called this a "close" case, it found that none of the distributions amounted to more than limited publication because they were made under express or implied prohibitions against making additional copies.[147]

The two decisions finding that archived works were published both came from the Northern District of Illinois in the 1970's. The first is *Letter Edged in Black Press, Inc. v. Public Building Commission of Chicago*, in which the plaintiff sought a declaratory judgment that a 50 foot tall, 162 ton[148] Picasso sculpture was in the public domain.[149] In 1965, Pablo Picasso sent a model of his proposed sculpture to William Hartmann, an architect for the City of Chicago.[150] Hartmann took the model, which was not marked with a copyright notice, to the Art Institute of Chicago.[151] The city gave Picasso a $100,000 check for the work and his "entire right, title

142 *Id.* at 536.

143 *Id.* at 529.

144 *Id.*

145 *Id.* at 530.

146 *Id.*

147 *Id.* at 534-36. The court stated, that "the two Acts [1909 and 1976] have different definitions of publication; our choice of definition determines the outcome of this case." *Id.* at 533. Apparently, it applied the 1909 definition, and then stated that under the publication definition in the 1976 Act, NBC's delivery of copies "would probably amount to publishing them." *Id.* at 533. This interpretation that the publication standard changed is questionable. Although Congress did intend to clarify the publication definition in the 1976 Act, in practice, the standard has remained the same. The data show that publication results are not affected by whether a court applied the 1909 or 1976 Act. Gerhardt, *supra* note 35, at 194.

148 *Long the Butt of Jokes, a Picasso Wins Respect*, N.Y. TIMES, Aug. 15, 1987, sec.1, at 11.

149 320 F. Supp. 1303 (N.D. Ill. 1970).

150 *Id.* at 1305.

151 *Id.*

and interest" in it, but Picasso refused the payment.[152] Instead, he gave the model to the museum and the sculpture including "the right to reproduce it" to the Public Building Commission through a deed stating he wanted these works to "belong to the people of Chicago."[153] Before the massive version was built, three models (the original maquette, an aluminum version and a twelve-foot, six-inch, wooden model) were displayed for the public to photograph, and images (without copyright notices) of the models appeared in the national media.[154] On August 15, 1967, the sculpture was dedicated in Daley Plaza at the corner of Washington and Dearborn streets in the Chicago Loop.[155]

The court held that the copyright in the sculpture was lost before the final version was constructed. By displaying the models at the Art Institute, and permitting the press and public to take and distribute photographs of it, defendants permitted publication without notice, and the work entered the public domain.[156] The sculpture itself was never protected by copyright because when it "was finally completed it could not be copyrighted for it was a mere copy, albeit on a grand scale of the maquette, of a work already in the public domain."[157] Interestingly, two-dimensional photographs that could not reflect all of the information in this three-dimensional work, still led to its publication.

This decision reflects important principles. First, it indicates that some effort at providing notice will not be enough if the notice is flawed, and therefore, ineffective. The Building Commission had put a copyright notice in the room where the maquette was displayed but not on the work itself.[158] Second, even an express intent to protect a copyright is not enough to prevent a finding of publication when the copyright owner does nothing to stop the public from making copies.

The way in which the facts of *Letter Edged in Black* are distinguishable from *Werckmeister* is instructive. Both copyright owners gave explicit instructions prohibiting copying.[159] But instructions alone are not enough. Publication depends on whether the work's curator acted consistently with those instructions, taking action to assure that others did not make copies. Despite the defendants' unauthorized reproduction, the art in *Werckmeister* was deemed unpublished because the Royal Academy officers

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152 *Id.*

153 *Id.* at 1305-06.

154 *Id.* at 1306.

155 A copyright notice was displayed next to this final version. *Id.*

156 *Id.* at 1311-13.

157 *Id.* at 1310.

158 *Id.* at 1311-12.

159 Am. Tobacco Co. v. Werckmeister, 207 U.S. 284, 287 (1907); Letter Edged in Black Press, Inc., 320 F. Supp. at 1307.

guarded the originals in a reasonable effort to prevent copies from being made.[160] In *Letter Edged in Black*, the defendants also prohibited copying, but in practice, "there were no restrictions on copying and no guards preventing copying."[161] The Commission ignored its own instructions, and "instead of objecting . . . the Commission passively and in some cases actively engaged in the distribution of uncopyrighted pictures promoting the Chicago Picasso."[162] Here, repeated acts of unauthorized copying by many different people resulted in a "general publication," because if this "activity classified as limited publication, there would no longer be any meaningful distinction between limited and general publication."[163]

In *Werckmeister*, the Supreme Court noted that public display of a work may constitute publication when the public is permitted to make copies. *Letter Edged in Black* supports this dicta. It also establishes the principle that even an expressly stated prohibition against copying will not prevent a work from being considered published if no restrictions are in place to prevent the public from obtaining copies. Intent to restrict copies is not enough. The museum or library must act in a way that is consistent with that intent.

The second case to find an archived work published, *Bell v. Combined Registry Co.*,[164] was also based on distributions of multiple copies not marked with a copyright notice. Max Ehrman of Terre Haute, Indiana wrote a prose poem in 1921 entitled "Desiderata."[165] Ehrman described the poem as "a humble gift," but on January 3, 1927, he obtained a federal copyright registration for it. In December 1933, Ehrmann enclosed the poem in Christmas cards he sent to friends. On July 20, 1942, Merrill Moore, a U.S. Army psychiatrist, wrote to Ehrman,

> I think you should know that nearly every day of my life I use your very fine prose poem Desiderata in my work . . . . Here I have found your philosophy as useful and have used it considerably as part of the psychotherapy I am doing. . . . I must have given away a thousand copies in the last few years. A patient, a depressed woman, gave it to me once several years ago, with no name attached . . . .[166]

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160 *Werckmeister*, 207 U.S. at 300.

161 Letter Edged in Black Press, Inc., 320 F. Supp. at 1311.

162 *Id.* at 1313.

163 *Id.* at 1311.

164 Bell v. Combined Registry Co., 397 F. Supp. 1241 (N.D. Ill. 1975).

165 *Id.* at 1247. The poem counseled readers to cultivate humility through a balanced and open view of the world, and concluded with the directive to be cheerful and happy, for "whatever your labors and aspirations, in the noisy confusion of like, keep peace in our soul. With all its sham, drudgery and broken dreams, it is still a beautiful world." *Id.* at 1250, (Appendix).

166 *Id.* at 1247.

After this overture, the two men exchanged letters in which Ehrman gave Moore permission to distribute copies of the poem to the troops. On November 3, 1942, Ehrman wrote, "Yes of course, you may distribute multigraphed copies of Desiderata to the soldiers. I am happy to have at least this small part in your splendid work."[167] During the 1944 Thanksgiving holiday, Moore wrote to Ehrman, "I use Desiderata liberally and always find it helpful."[168] After Max Ehrman died in 1945, media reports of Moore's work described his use of Desiderata and often reprinted it.[169] Dr. Merrill Moore's papers were donated to the Library of Congress, and among them is a copy of Desiderata marked with Max Ehrman's name but no copyright notice.[170]

Between 1952 and 1972, Reverend Kates published Desiderata in seven editions of a book which erroneously attributed the poem's source to "Old St. Paul's Church, Baltimore A.D. 1692."[171] Based on this use and other publications containing no attribution at all, the defendants published the poem, believing it was in the public domain.[172]

The district court concluded that Desiderata was published, and the "most substantial" evidence was Moore's distributions to U.S. soldiers serving in the Pacific during World War II.[173] The only copy of the poem offered into evidence was the one from Moore's papers in the Library of Congress archives.[174] The Court treated this unmarked copy as circumstantial evidence that Moore did not mark the poem with a copyright notice.[175] Relying on the Ehrman and Moore correspondence, the copy in Moore's papers, and the plaintiff's inability to produce a copy of Desiderata with a copyright notice, the district court found that Ehrman forfeited the copyright in the poem by permitting publication without notice.[176]

Of the five publication opinions in which an archived work was mentioned, *Bell v. Combined Registry* is the only one that was reviewed on appeal. The Seventh Circuit Court of Appeals affirmed the district court's conclusion that the copyright was abandoned, but indicated that "the Ehrman-Moore correspondence represents the only such instance in the record capable of supporting a finding of forfeiture."[177] Distribution of the poem in Christmas cards was limited enough that it did not support a find-

167 *Id.*
168 *Id.*
169 *Id.* at 1244, 1277.
170 *Id.* at 1247.
171 *Id.* at 1248.
172 *Id.*
173 *Id.*
174 *Id.* at 1249.
175 *Id.*
176 *Id.* at 1248-50.
177 Bell v. Combined Registry Co., 536 F.2d 164, 168 (7th Cir. 1976).

ing of general publication.[178] The various magazine and book publications of the poem did not amount to publication because no evidence demonstrated that the copyright proprietor was aware of them.[179] In contrast, Ehrman's letters to Moore and the presence of Desiderata, marked with no notice in the archival collection of Moore's papers did "supply direct credible evidence of a general publication authorized by the copyright proprietor."[180] Upon objections that the district court erroneously relied on foreign distributions, the Court clarified that the record reflected authorization for distributions by Moore in Boston and Denver.[181] Again, the archived version was mentioned as circumstantial evidence that the copies distributed by Moore had no notice.[182] It was not mentioned as evidence of publication, nor did it appear on the list of acts that did not amount to a publication.

The *Letter Edged in Black* and *Combined Registry* decisions provide some insights into the type of intent relevant to courts in determining whether a work was published. As in *Werkmeister*, intent to protect the copyright in a general sense is not enough to avoid a finding of publication. If it were, all authors who assert they intended to keep their copyrights would succeed. Both the owners of the Picasso sculpture and Max Ehrman intended to protect their copyrights. In both cases, the copyrights had been registered with the United States Copyright office, resulting in a presumption of validity.[183] However, at that time, owners who intended to protect copyrights could lose them by permitting public distribution without notice. In both cases, most of the copies were made and distributed by someone other than the copyright owner. Because the authors permitted these distributions to occur without the notice required at that time,[184] both works entered the public domain.

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178 *Id.* at 168.

179 *Id.*

180 *Id.*

181 *Id.* at 166 ("Moore first wrote to Ehrmann in 1942 from Denver and indicated that he had distributed an estimated 1,000 copies of Desiderata over the years while in civilian practice in Boston."); *id.* at 170 ("Clearly, there is ample room in the evidence to infer an authorized distribution of *Desiderata* by Moore while he was still in Denver, Colorado.").

182 *Id.* at 166, 168.

183 Ehrman registered his work with the U.S. copyright office. Bell v. Combined Registry Co., 397 F. Supp. 1241, 1243 (N.D. Ill. 1975). Picasso's thinking on this issue is reflected in the deed that transferred the reproduction right. Letter Edged in Black Press, Inc. v. Public Bldg. Comm'n of Chicago, 320 F. Supp. 1303, 1305-06 (N.D. Ill. 1970). After the deed of gift was executed and the final version was constructed, the Public Building Commissioned registered the copyright in the sculpture. *Id.* at 1307.

184 17 U.S.C. § 10 (2012).

None of these five opinions answers the question of whether a work is published based solely on its presence in a public archive. Taken together, examination of these cases reveals important principles. When making decisions about publication, courts look at the intent of the copyright owner. However, general intent to protect the copyright is insufficient. Courts look at what proprietors do to restrict access to copies. Reasonable affirmative efforts to keep copies out of the public's hands can support a finding that the work was unpublished or subject to only a limited publication.

2. *Works Deposited in Government Archives*

The regression analysis showed that when courts reported a work was deposited in a government archive (as distinguished from a library or museum), they were significantly more likely to find that the work was not published. A closer look at these opinions will confirm whether the type of work and archive determine the outcomes as the regression suggests, or if these variables mask other considerations.

Judicial decisions involving works archived in government repositories reflect some of the same dynamics seen in other contexts. When a work is deposited in a government archive and authorized copies of it are distributed to the public, courts generally find that the work has been published.[185] Although most of the decisions involve architectural works, there is some authority indicating that textual works filed in a government archive and distributed in copies are also deemed published.[186] When works were deposited in government repositories but distribution of copies was not reported, courts generally find that the work was not pub-

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185 *See, e.g.*, Harris Custom Builders, Inc. v. Hoffmeyer, 92 F.3d 517 (7th Cir. 1996) (finding that plaintiff forfeited copyright protection by publishing a derivative work in a brochure without proper copyright notice); Donald Frederick Evans & Assocs., Inc. v. Continental Homes, Inc., 785 F.2d 897 (11th Cir. 1986) (finding that distribution of drawings without notice of copyright in newspapers, flyers and brochures resulted in publication and forfeiture of copyright protection).

186 Progressive Corp. v. Integon P & C Corp., No. 90-2230, 1991 WL 218010 *3 (E.D. Va. Dec 9, 1991), (filing insurance rate manual with the Virginia Bureau of Insurance "gives to the public, including competitors, the right to obtain possession of tangible copies of materials filed with the Virginia Bureau of Insurance" and therefore amounts to publication); Nat'l Council on Compensation Ins., Inc. v. Insurance Data Resources, Inc., No. 96-8036, 1996 WL 672973 (S.D. Fla. Oct. 3, 1996) (finding Plaintiff's manual published based on evidence Plaintiff had distributed it for years without a copyright notice and filed it with the Florida Department of Insurance).

lished.[187] For these courts, the public availability of the work in the government archive was not enough to constitute publication.

This finding raises the following question: why is the same pattern not discernible in decisions involving works deposited in museums and libraries? One possible explanation is that not enough decisions involving museum or library deposits have been issued to support a meaningful pattern. An alternative explanation may be found by looking at what the type of work and archive reflect about the copyright owner's intent. Not all works deposited in government archives are found to be published.[188] When district courts considered whether works deposited in government archives were published, 64% found the works to be unpublished. When considering architectural plans, six of eight courts (75%) found them to be unpublished or that the deposit in a public zoning board resulted in only a limited publication. These conclusions often turned, not on the type of work or archive, but on the nature of intent that motivated the deposit. Most often, publication is not found when a court is persuaded that the work was placed in the public file only to satisfy a legal requirement.[189] Courts are reluctant to punish copyright owners by throwing their works into the public domain based only on efforts to comply with state or municipal law.[190] If the facts reflect that a copyright owner intended to share the work publicly, such as putting a sketch of the plan in a brochure dis-

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187 East/West Venture v. Wurmfield Assocs., P.C., 722 F. Supp. 1064 (S.D.N.Y. 1989) (depositing architectural plans with zoning and planning board did result in publication); Intown Enters., Inc. v. Barnes, 721 F. Supp. 1263 (N.D. Ga. 1989) (filing architectural plans with building authorities and subcontractors did not amount to publication; therefore, no notice of copyright was required); Aitken, Hazen, Hoffman, Miller, P. C. v. Empire Constr. Co., 542 F. Supp. 252 (D. Neb. 1982) (finding no general publication where plaintiff filed two sets of plans with city codes administration department).

188 *Id.*

189 *See, e.g.*, Codespoti & Assoc. v. Bartlett, 51 F. Supp. 2d 125, 128 (D. Conn. 1999) ("Submitting proposed site plans to the town does not put those site plans in the public domain and deprive them of protection under the copyright law."); WPOW, Inc. v. MRLJ Enters., 584 F. Supp. 132, 136 (D.D.C. 1984) (filing report with the FCC requesting permission to create a transmitting antenna for a new radio station facility "and the action of the FCC in allowing public access to the application for inspection do not constitute publication").

190 McIntosh v. N. Cal. Universal Enters., 670 F. Supp. 2d 1069, 1097-98 (E.D. Cal. 2009) ("Such limited disclosure to comply with California subdivision law and Wasco ordinances does not constitute publication to the 'general public' to deprive Mr. McIntosh of copyright protection. Mere public display of Tentative Map 5472 and the MM improvement plans does not constitute publication."); John G. Danielson, Inc. v. Winchester-Conant Props., Inc., 186 F. Supp. 2d 1 (D. Mass. 2002) (submission of plans to contractors and the town planning board did not constitute publication).

tributed to potential buyers, courts are less hesitant to find it was published.[191]

The specifics of the decisions confirm some conclusions in the regression analysis and clarify others. The type of work and archive were not the dispositive factors. Although filing architectural plans in a government archive appears to make a difference, it does so only because of what that filing reflects about the author's intent. Unless some other evidence was present, courts generally did not find the deposit of architectural works for zoning purposes to reflect an intent to make the work publicly available. Deposits in museums and libraries did not consistently lead to that same conclusion. Author intent to share copies and the availability of authorized copies are the variables that most influence publication decisions. Overall, the decisions about works deposited in government archives reflect the same themes present in other publication decisions.

3. Works that Were Rented, Leased or Loaned

Although the copyright statute defines publication to include "rental, lease or lending,"[192] the regression analysis revealed that courts were less likely to find a work published when they reported these distributions.[193] This finding raises questions about why judges appear to disregard this part of the definition. In the 51 district court opinions addressing works that were rented, leased or loaned, courts found the works to be published in twenty-four of the fifty-one cases or 47% of the time, well below the 71% publication average. What causes such an apparent disregard for the statutory language? Courts appear to be looking primarily at other factors. For example, in *Sonneborn*, the court found only a limited publication of the Peter Pan film even though copies were licensed for viewing by others.[194] The prohibition against copying the film was enough to convince the court that publication had not occurred.[195]

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191 When a work is deposited in a government archive and circulated in multiple copies (even if the copy is of lower quality than the original such as an advertising brochure), the work is most often considered published. Harris Custom Builders, Inc. v. Hoffmeyer, 92 F.3d 517 (7th Cir. 1996) (reversing district court and finding that plaintiff forfeited copyright protection by publishing copyrighted derivative work in a brochure without proper copyright notice); Donald Frederick Evans & Assocs., Inc. v. Continental Homes, Inc., 785 F.2d 897 (11th Cir. 1986) (affirming district court decision finding that distribution of drawings without notice of copyright in newspapers, flyers and brochures resulted in publication and forfeiture of copyright protection).

192 17 U.S.C. § 101 (2012).

193 Gerhardt, *supra* note 35, at 199, fig. 4.

194 Nat'l Broad. Co. v. Sonneborn, 630 F. Supp. 524 (D. Conn. 1985).

195 *Id.* at 536.

Analysis of the pool of judicial decisions reflecting similar dynamics shows that two other factors have a stronger impact on publication analysis than whether a work was rented, leased or loaned. They are: (1) the existence of authorized copies and (2) whether the copyright owner permitted public access to them. When combined with other variables present in a typical case, rental, lease or lending becomes less important. In decisions reporting a work was rented, leased or loaned and authorized copies were present, courts found the work to be published 76% of the time. If rental, lease or lending occurred but no authorized copies were reported, only 17% of works were found to be published. When a work was rented, leased or loaned and permission was given to make copies, 86% of decisions found publication. If the copyright owner denied permission to reproduce a work, only 33% of the works were found to be published. Therefore the presence of authorized copies and copyright owner intent to permit access to copies brings even rented, leased or loaned works above the 71% publication average.

4. Original Works that Were Sold

A finding that an original work was sold has an effect on publication that is independent of the rental, lease or loan variable.[196] Although the sale of an original is not frequently reported, its presence appears to make a finding of publication less likely. When all other variables are held at their average rate, a finding that the original was sold reduces the likelihood of a court finding publication by 50%. The extent to which this variable carries independent weight is apparent when it is reported.

These decisions reflect the importance of examining objective circumstances to determine whether the copyright owner intended to share copies of the work. In *White v. Kimmell*,[197] the district court considered whether religious manuscripts written by Stewart Edward White were published. Stewart transferred the original documents and all "right and title" to his wife, Susan Kimmell.[198] After Stewart's death, his brother claimed that the works were published without notice and in the public domain. The court focused on the author's intent, noting that the evidence "shows no intention to dedicate any portion of the 'Gaelic' manuscripts to the public . . . . No copy was ever placed in a public library, a reading room or on the shelf of a book store or club, where it was made accessible to anyone who wished to look at it. Nor were any copies offered for sale."[199] Although mentioned in dicta, the public library reference should

196 The dataset contains no cases in which an original work was sold and then rented, leased or loaned.

197 94 F. Supp. 502 (S.D. Cal. 1950).

198 *Id.* at 504.

199 *Id.* at 506-07.

not be ignored. Distribution restrictions were described as evidence not to share the work publicly in stark contrast to placing a work in a book store *or public library* which would have reflected intent to share copies publicly. Because objective evidence of intent to share was not present here, the court found that all distributions were private transfers with strict restrictions on reproduction that did not amount to more than a limited publication.

Similar to copyright owner intent to share copies, public access to authorized copies has an independent and often dispositive impact on publication decisions. In *Cordon Holding B.V. v. Northwest Publishing Corp*, the district court found that licensed sales of art reproductions of M.C. Escher's drawings amounted to publication even though original drawings and master blocks were not available to an "unlimited public."[200] The number of copies does not necessarily alter this conclusion. Even the public sale of a single painting may constitute publication.[201]

If the facts show the transfer of an original work, the distribution of authorized copies, and an author's intent to permit public access, the work will be considered published. In *Emarine v. Group Ten Press, Inc.*, an artist sold his drawing of a skunk to a greeting card company for use as its logo.[202] The president of the company testified that "the use of the drawing on letterhead, invoices, and order forms which plaintiff admits he did authorize, involved the distribution of thousands of copies of the drawing to customers, sales representatives and the like and that none of these copies had a notice of copyright affixed to them."[203] Based on this clear authorization, the court held that the drawing had been published.[204]

When an original work is sold, but the copyright owner does not permit reproduction of it, the sale is generally not enough to tip the publication decision.[205] In *Peter Pan Fabrics, Inc. v. Dan River Mills, Inc.*, the original design was offered to a few private customers, and no one was authorized to reproduce it.[206] Selling the original art did not constitute publication. Decisions involving sales of original works reflect the same themes identified above. When objective circumstances show that the copyright owner intended to share the work and authorized copies were available to the public, a work is likely to be deemed published.

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200 No. 98 Civ. 4797, 2002 WL 530991 (S.D.N.Y.) at *6 n.7.

201 Grandma Moses Props., Inc. v. This Week Magazine, 117 F. Supp. 348, 350 (S.D.N.Y. 1953) ("This circuit has said that the 'common-law right is lost by the general publication or unrestricted sale of a single copy.'").

202 Emarine v. Group Ten Press, Inc., 217 U.S.P.Q. 90 (D. Neb. 1981).

203 *Id.* at 91.

204 *Id.*

205 Am. Tobacco Co. v. Werckmeister, 207 U.S. 284 (1907).

206 *Id.*; *see also* Peter Pan Fabrics, Inc. v. Dan River Mills, Inc., 295 F. Supp. 1366, 1368 (S.D.N.Y. 1969).

Now that all the variables identified in the regression have been reexamined in greater detail through traditional case analysis, two variables emerge as having potentially dispositive impact on whether archived works should be considered published. Publication should be found when: (1) objective circumstances show that the copyright owner intended to permit reproduction of the work and (2) authorized copies were publicly available. With this understanding of how precedent affects publication decisions, the discussion now turns to an examination of how this precedent may be useful in crafting a solution for determining whether archived works are published without notice, and therefore, freely available as part of the public domain.

IV. ALTERNATIVE SOLUTIONS TO THE COPYRIGHT PUBLICATION QUESTION FOR ART AND HISTORICAL WORKS

Using precedential patterns to craft a solution is not the only possible response to the ambiguous publication status of art and historical works. Before turning to it, this Part will identify the costs and benefits of three alternatives.

A. Maintaining the Status Quo

The first possible solution is to keep things as they are. Aside from avoiding change, the benefits of this approach are hard to see. Copyright uncertainty and lack of resources to conduct copyright clearance lead to the common assumption that works are protected even if they belong in the public domain. When twentieth-century works have no copyright notice, curators often assume them to be unpublished and protected by copyright. This assumption led to use of a copyright warning on the MacNeill photos even though some had been widely distributed in newspapers without a copyright notice. This example is typical. It illustrates how copyright ambiguity unnecessarily thwarts access to works that should be deemed part of the public domain under current copyright law.

Maintaining the status quo is the most unsatisfactory alternative as it perpetuates legal ambiguity resulting in inefficiency, overprotection and diminished access to art and historical works. To decide if an archived work is published, practitioners and courts must now attempt to sift through analogous precedent and insufficiently nuanced treatises without knowing whether a particular conclusion is consistent with patterns over a broader range of judicial decisions. Limping along this path of least resistance thwarts the possibility of finding a clear solution to freeing art and history from the copyright ambiguity trap. Clarity is especially elusive. For archived works, the publication question makes identifying content in the public domain an unpleasant and murky business. Current practice

guides provide at best incomplete, and at worst, wrong guiding principles for the vast majority who seek to use works lawfully and without fear of litigation. A clear set of principles indicating when a work is published is the only practical solution that could lead to efficiency and broader ability to use cultural resources.

B. Restoring Copyright for U.S. Works that Entered the Public Domain

A second potential solution is to restore copyrights for all works that entered the public domain if the author did not comply with copyright formalities. This strategy would require Congressional action. While the other potential solutions target works with an ambiguous copyright status, this one would restore protection for works now thought to be in the public domain.

Restoration would promote clarity, but since pre-1976 copyright terms begin at publication, it would not eliminate the need to pinpoint this decisive moment unless the duration statutes were also changed. This solution would be attractive to those who own works that entered the public domain because formalities were not observed. Not everyone is a fan of the public domain.[207] When a copyright expires, it cannot serve as a valid basis for requiring permission and charging fees.

For those who value a robust public domain, this alternative would come at the significant cost of restoring copyrights — not just for those in an ambiguous copyright status — but also for a multitude of works now clearly in the public domain. The idea of removing millions of works from the public domain may sound extreme. But if Congress were to adopt a restoration solution, it would not be unprecedented. In 1994, Congress enacted 17 U.S.C. § 104A which restored copyrights for foreign works (including some Hitchcock films and Prokofiev's *Peter and The Wolf*) that were in the public domain in the U.S., but not in the author's home country.[208]

Many scholars thought Section 104A violated a central tenet of intellectual property law: once a work entered the public domain, "it must stay there."[209] Even as the justices on the Supreme Court changed, this theme persisted through decades of intellectual property decisions. In 1966, the Court warned Congress it was not empowered to impair public access to knowledge by removing content from the public domain:

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207 Gasaway, *A Defense of the Public Domain: A Scholarly Essay*, *supra* note 43, at 452 ("An obvious disadvantage of the public domain to publishers and producers is that works that lose protection no longer generate income for the original copyright holder.").

208 17 U.S.C. § 104A (2012).

209 *See, e.g.*, Diane L. Zimmerman, *Is There a Right to Have Something to Say? One View of the Public Domain*, 73 FORDHAM L. REV. 297, 372 (2004).

> Congress may not authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available. Innovation, advancement, and things which add to the sum of useful knowledge are inherent requisites in a patent system which by constitutional command must "promote the Progress of useful Arts."[210]

In 1984, the Court characterized the public domain as fulfilling the "the overriding purpose" of copyright law "to allow the public access to the products of their genius after the limited period of exclusive control has expired."[211] In the 2006 *Dastar* opinion, the Court depicted the public domain as a copyright graveyard, stating that "[t]he right to copy . . . once a copyright has expired, . . . 'passes to the public,'"[212] and once a copyright term ends, "The public may use the work at will . . . ."[213]

From this precedent, the public domain became known as a land of no return.[214] Diane Zimmerman explained that a "mandatory public domain"[215] was protected by the U.S. Constitution's provision authorizing Congress "To promote the Progress of Science and useful Arts, by securing for limited Times to Authors . . . the exclusive Right to their respective Writings . . . ."[216] This section permits Congress to create exclusive copyrights, but only for a limited time. The public may passively enjoy works during the term of protection, perhaps by looking at art or reading a purchased copy of a book. After the limited time ends, the public benefit takes the form of a true freedom because it is only then that the public may actively copy and distribute works (for example, scanning and then posting a photo on an educational website) or use them as raw materials for new creative projects (like taking an iconic character from a famous book and putting her in a new story). In this way, the constitutional foundation set up the basic quid pro quo justifying copyright protection: the author gets a monopoly for a limited time, and in exchange, the public shall be free to use the work as soon as the copyright expires.[217]

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210 Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 6 (1966).

211 Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 429, (1984).

212 *See* Dastar Corp. v. Twentieth Century Fox Film Corp., 539 U.S. 23, 33 (2003) (citations omitted).

213 *Id.* at 33-34.

214 Ochoa, *supra* note 14, at 259 (envisioning the public domain as a permanent refuge).

215 Zimmerman, *supra* note 209, at 372.

216 U.S. CONST., art. I, cl. 8, § 8.

217 *See* Ochoa, *supra* note 14, at 224 ("The Framers of the U.S Constitution recognized the importance of the public domain. By providing that . . . copyrights could only be granted 'for Limited Times' they ensured that all . . . copyrighted works . . . would enter the public domain at the end of the limited period . . . .").

Because Congress had never before removed so many works from the public domain, a coalition including orchestras and archivists challenged 17 U.S.C. § 104A as unconstitutional under the Progress Clause and the First Amendment.[218] In *Golan v. Holder*,[219] the Supreme Court upheld the statute. For the majority, Justice Ruth Bader Ginsberg wrote that "[n]othing in the historical record, subsequent congressional practice, or this Court's jurisprudence warrants exceptional First Amendment solicitude for copyrighted works that were once in the public domain."[220] Notwithstanding its past depiction of the public domain as a place permanently dedicated to public access, the Supreme Court affirmed the constitutionality of the statute, finding that restoration of these copyrights did not disrupt the "traditional contours" of copyright law.[221]

The *Golan* opinion stunned the copyright community. To us, the public domain *is* one of the fundamental and traditional contours of copyright law. Professor Nimmer wrote that the "notion of copyright life after death is deeply unsettling to those schooled in the past two centuries of US jurisprudence."[222]

It remains unclear why Justice Ginsberg went so far in recharacterizing the public domain, as it was unnecessary to the holding in *Golan*. The Court might have balanced Congress's interests in complying with its treaty obligations against the First Amendment harms that would result from removing works from the public domain. It might have acknowledged that a stable public domain is a traditional contour that preserves First Amendment values and is therefore generally entitled to deference. Still, it may have found that the statute's harms were outweighed by the importance of adhering to international treaty obligations. If it had interpreted the Constitution as an integrated document, the Court could have recognized the public domain as a traditional contour and still arrived at the same holding.

Now that the Supreme Court has given Congress clear the authority to move content out of the public domain, entertainment industries may lobby to restore more twentieth-century copyrights to give U.S. authors parity with their international colleagues. Section 104A restored copyrights in works that entered the public domain between 1923–89 because the foreign author did not renew the copyright after the first twenty-eight

218 Golan v. Holder, 132 S. Ct. 873 (2012).

219 *Id.*

220 *Id.* at 877.

221 *Id.* at 873, 876-77.

222 4 NIMMER & NIMMER, *supra* note 13, § 9A.01.

years or published the work without a copyright notice.[223] The copyright of a similar work by a U.S. author would not be restored.

The following example illustrates the inequity. If Pablo Picasso (a Spanish artist who lived in France) first published a painting in France during 1950 and republished it in the U.S. later that year without notice, the painting would have entered the U.S. public domain in 1950. After passage of Section 104A, the copyright may be restored through 2043 (for seventy years after Picasso's death in 1973). If the American artist Edward Hopper published a painting without notice in 1950, his work entered the public domain, and the copyright cannot be restored because Hopper was a U.S. citizen. It would not be surprising for U.S. authors to seek legislation to undo this inequity. Nimmer foresees:

> In future years, the pressure towards copyright restoration may gain greater momentum. American authors, disgruntled about the favoritism displayed under U.S. law towards foreign authors, may secure new amendments, rescuing their own works as well from the public domain.[224]

Such a solution would resolve some current ambiguity, clarify the boundaries of the public domain and give U.S. authors the same restoration rights enjoyed by foreign authors.

Nonetheless, important policy considerations support forbearance. These benefits would be achieved at the cost of dramatically shrinking the number of works in the public domain. Consequently, public access would be significantly diminished. Restoration of copyright in these U.S. works would disrupt the traditional copyright understanding of the public domain in a way that Section 104A did not. Section 104A applies to foreign works that were protected by copyright in the author's home country without the necessity of observing formalities. If the foreign author did not adhere to a formality required by U.S. law, the work would be protected in the author's home country but would be in the public domain in the United States. Reviving copyright for these works restored the U.S. copyright status to equal that in the author's home country. Therefore, Section 104A could be justified by the goal of seeking international parity in accordance with treaty obligations required by the Berne Convention and TRIPs.[225]

These international pressures do not apply to restoring copyrights in U.S. works. Reviving these copyrights would change rather than honor the copyright status of the work in its home country. Achieving a consistent international status is a goal that would not be available to support

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223 Gard, *supra* note 5, at 131 ("The years affected by foreign restoration are works published abroad between 1923 and 1989.").

224 4 NIMMER & NIMMER, *supra* note 13, § 9A.01.

225 *Golan*, 132 S. Ct. at 887.

restoration of U.S. works as they are already in the public domain in their author's home country.

Restoration would also upend years of copyright understandings and compromise public trust in the reliability of the public domain. When extending copyright protection to new works, Congress has generally left the public domain intact.[226] This historic practice is consistent with the traditional understanding of the public domain as a permanent status.[227] Therefore, the restoration provisions for foreign works stand as an exception to the general understanding and treatment of the public domain as a stable status.[228] Rather than defining subject matter that goes in and out of copyright protection with some frequency, the public domain has been thought of as Tyler Ochoa describes:

> The defining characteristic of the public domain . . . is that any individual is free to use the material as he or she sees fit; and once matter enters the public domain, the government cannot alienate that property by removing it . . . . These characteristics imply that the general public has an affirmative right of ownership in the material in the public domain. Thus, one dictionary defines the public domain as the "realm embracing property rights belonging to the community at large . . . ."[229]

Notwithstanding the passage of Section 104A and the *Golan* opinion, this general understanding still holds, perhaps because after more than two hundred years of copyright history, it has been exceedingly rare for Congress to remove material that copyright law affirmatively placed in the public domain. A more typical path when enacting copyright legislation was for Congress to expressly provide that new expansions in the law did not apply to works already in the public domain.[230]

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226 Brief for Petitioner at 4, Golan v. Holder, 132 S. Ct. 873, 889 (2012); 2011 WL 2423674 (No. 10-545) ("From 1790 to 1994, Congress exercised its power to expand the duration and scope of copyright protection no fewer than nineteen times. On each occasion, it left the public domain completely intact."); Copyright Act of 1976, Pub. L. No. 94-553, § 103, 90 Stat. 2541, 2599 ("This Act does not provide copyright protection for any work that goes into the public domain before January 1, 1978."); Copyright Act of 1909, Pub. L. No. 60-349, § 7, 35 Stat. 1075, 1077 ("no copyright shall subsist in the original text of any work which is in the public domain.").

227 *See supra* notes 211–214 and accompanying text. *See also* MELVILLE B. NIMMER, NIMMER ON COPYRIGHT, § 105[A] (1984) ("neither the copyright clause nor the First Amendment would permit the granting of copyright to works which have theretofore entered the public domain.").

228 *See generally* Gard, *supra* note 5 (describing the judicial turn towards accepting the constitutionality of 104A as "stunning" and a "plot twister").

229 Ochoa, *supra* note 14, at 259.

230 *See, e.g.*, Section 7 of 1909 Act ("No copyright shall subsist in the original text of any work which is in the public domain . . . .").

A permanent stable public domain should be recognized as essential to assuring that copyright does not unduly eclipse First Amendment values.[231] If the public domain is not a reliable enduring status, the potential expressive freedom it offers will be illusory. Without a stable public domain, no publisher, filmmaker or library can ever be confident that it will not one day be sued for including historic content in the material it publishes. A biographer could not safely use a photograph or letter in the public domain today if there is a real threat that next year it will be protected by copyright again, and someone will try to extract an exorbitant royalty for its continued use. Reliable and efficient access to our cultural heritage can only be accomplished if the public domain is stable and permanent.

The public domain is not just a status sitting in opposition to copyright protection.[232] It is the fertile ground in which new works are cultivated.[233] The constitutional purpose of copyright has been thought to incentivize creativity[234] or "promote the progress of science and the useful arts, and admit the people at large, after a short interval, to the full possession and enjoyment of all writings and inventions without restraint."[235]

Historically, the public domain has been essential to innovation. Shakespeare repurposed characters and plots from legends and history. Picasso's figures were inspired by techniques he learned from Ingres, El Greco, African masks and Iberian sculpture from the 5th and 6th centu-

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231 Gasaway, *A Defense of the Public Domain: A Scholarly Essay*, *supra* note 43, at 457 ("the importance of the public domain to the creative community and to the general public cannot be over emphasized.").

232 Anupam Chander & Madhavi Sunder, *The Romance of the Public Domain*, 92 CAL. L. REV. 1331, 1343 (2004) ("In general, there is a dialectical relationship between the public domain and intellectual property: intellectual property thrives in the presence of a robust public domain from which it freely borrows . . . .").

233 Litman, *supra* note 25, at 968 ("The public domain should be understood not as the realm of material that is underserving of protection, but as a device that permits the rest of the system to work by leaving the raw material of authorship available for authors to use.").

234 Eldred v. Ashcroft, 537 U.S. 186, 226-27 (2003) (Stevens, J., dissenting) ("Neither the purpose of encouraging new inventions nor the overriding interest in advancing progress by adding knowledge to the public domain is served by retroactively increasing the inventor's compensation for a completed invention and frustrating the legitimate expectations of members of the public who want to make use of it in a free market. Because those twin purposes provide the only avenue for congressional action under the Copyright/Patent Clause of the Constitution, any other action is manifestly unconstitutional.").

235 JOSEPH STORY, COMMENTARIES ON THE CONSTITUTION OF THE UNITED STATES § 558, at 402-03 (Carolina Academic Press 1987) (1833).

ries.[236] Bob Dylan borrowed melodies and lyrics from American folk music.[237] Creativity does not occur in a vacuum. If no content can be seen as safe for recycling, creative efforts will be thwarted.

The copyright doctrines that permit us to discuss copyrighted works or use bits of them during their terms of protection do not provide sufficient freedom or clarity to reuse historical and cultural content in new works. Copyright protection necessarily curbs some expressive rights. One may not republish an autobiography during its copyright term. But fair use doctrines permit someone to reprint a short excerpt of it in a book review. Copyright law also provides that while original expression may be protected, ideas and facts are not subject to copyright. Although the particular expression of an autobiography and its selection, coordination and arrangement are protected, the facts and ideas may be used freely.[238] The principle, known as the idea expression dichotomy, permits other historians to tell their versions of the same story. However, this right to use ideas is severely limited by the original author's exclusive right to create derivative works.[239] That right is especially robust for fictional works where the reuse of well defined characters is often considered infringement.[240] Fair use may be interpreted to permit republishing an entire work, especially if the new work is transformative and does not affect the copyright owner's potential market, but due to the case by case nature of the doctrine, this defense is not a guarantee against litigation.[241] Although copyright law offers some opportunity to use someone else's work while it is protected, only the copyright owner has complete freedom to use the work as raw material for new expression.

The idea expression and fair use doctrines do not provide this essential freedom to anyone else.[242] All biographies, history textbooks, docu-

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236 JOHN RICHARDSON, A LIFE OF PICASSO 421-31 (1991).

237 Evan Schlansky, *The 30 Greatest Bob Dylan Songs: #4, "Don't Think Twice, It's All Right,"* AMERICAN SONG WRITER, (May 6, 2009), http://www.americansongwriter.com/2009/05/the-30-greatest-bob-dylan-songs-4-dont-think-twice-its-all-right.

238 17 U.S.C. § 102(b) (2012).

239 *Id.* § 106(2); Litman, *supra* note 25, at 1023 (The public domain "furnishes a crucial device to an otherwise unworkable system by reserving the raw material of authorship to the commons, thus leaving that raw material available for other authors to use."); BOYLE, *supra* note 20, at 39 ("The public domain is the basis of our art, our science, and our self-understanding. It is the raw material from which we make new inventions and create new cultural works.").

240 Anderson v. Stallone 11 U.S.P.Q.2d 1161 (C.D. Cal 1989); Metro-Goldwyn-Mayer, Inc. v. Am. Honda Motor Co. 900 F. Supp. 1287 (C.D. Cal. 1995).

241 17 U.S.C. § 107 (2012); Barton Beebe, *An Empirical Study of U.S. Copyright Fair Use Opinions, 1978–2005*, 156 U. PA. L. REV. 549 (2008).

242 LAWRENCE LESSIG, FREE CULTURE 292 (2004).

mentary films, appropriation art, music sampling and use of photographs to illustrate a discussion are potentially infringing if the underlying work is copyrighted. Neither the fair use or idea expression doctrine provides a green light to retell another's story in order to critique it or discuss its importance. Neither affirmatively protects reprinting an original letter or photograph. For historical purposes, the exact expression is often necessary to capture a fact. And sometimes, as in the case of photographs or letters, using a portion of an expression is insufficient to show what happened. The mere possibility of copyright litigation routinely motivates publishers to refuse to reprint content if it is not clearly in the public domain. A well-defined public domain is necessary both to copy older works and create new works that reference, recast or offer tribute to our shared cultural touchstones.

Freeing content permanently into the public domain is necessary to provide expressive raw materials and access to our cultural heritage. David Lange explains that "[a]s access to the public domain is choked, or even closed off altogether, the public loses too: loses the rich heritage of its culture, the rich presence of new works derived from that culture, and the rich promise of works to come."[243] The ability to use and share art and history is essential to education and creative expression.[244] It is also critical for providing citizens with the raw materials necessary for engagement in public discourse.[245] A robust public domain fosters free speech because it enlarges the material that can form ties in social networks and creates a "communicative sphere, where people can interact with each other in various [interpersonal and political] circles."[246]

The public domain is the copyright principle that best serves the First Amendment by reserving a space "to think and to imagine, to remember and appropriate, to play and to create."[247] As Edward Lee points out, the public domain prevents "government overreaching by ensuring the public's access to materials that are essential for self-governance and learned

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[243] David Lange, *Recognizing the Public Domain*, *in* 4 INTELLECTUAL PROPERTY RIGHTS: CRITICAL CONCEPTS IN LAW 276 (David Vaver ed., 2006).

[244] Gasaway, *A Defense of the Public Domain: A Scholarly Essay*, *supra* note 43, at 455 ("The public domain is the storehouse of the raw materials of creative expression, freely available to all.").

[245] Brief of Amici Curiae Public Domain Interest in Support of Petitioners at 7, Golan v. Holder, 132 S. Ct. 873 (2012) (No. 10-545) ("the unrestricted availability of cultural materials, along with the right to use those materials freely for individual inquiry, debate, and expression, is fundamental to democratic participation.").

[246] Samuelson, *supra* note 16, at 806 (quoting Michael Birnhack, *More or Better? Shaping the Public Domain*, *in The Public Domain*, *in* THE FUTURE OF THE PUBLIC DOMAIN 59 (P. Bernt Hugenholtz & Lucie Guibault eds., 2006).

[247] Lange, *supra* note 15, at 483.

citizenry."[248] Eventual dedication to the public domain is essential to creative free expression, sharing of scientific articles and democratic participation.

If Congress were to restore copyrights in all twentieth-century U.S. works that entered the public domain because their authors failed to observe formalities, it would resolve the central ambiguity for archived works. Clarity would be achieved. But substantial negative consequences would outweigh this benefit. Restoration would revive copyrights in vast numbers of twentieth century works, not merely those with an ambiguous copyright status. The freedom to use works now clearly in the public domain would be lost.[249] Because the public domain would be impoverished even more than it is under the current murky state of the law, copyright restoration is not the optimal solution.

C. Orphan Works Legislation

A third alternative is orphan works legislation. Creative expression may be considered an "orphan work" if the copyright owner cannot be identified or found after a reasonable search.[250] Because copyright terms are sometimes measured by the life of the author, it may be impossible to definitely determine whether a work is protected if the author is unknown. In January 2006, the United States Copyright Office recommended that Congress enact orphan works legislation.[251] In response, the House and Senate each proposed bills that have not yet become laws.[252] These proposed solutions would have limited remedies against anyone who made a reasonably diligent search for the copyright owner before using an orphan work.[253] Photographers' organizations strongly objected to the legislation,

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248 Edward Lee, *The Public's Domain; The Evolution of Legal Restraints on the Government's Power to Control Public Access Through Secrecy or Intellectual Property*. 55 HASTINGS L.J. 91, 97 (2003).

249 Paul Heald, *Property Rights and the Efficient Exploitation of Copyrighted Works: An Empirical Analysis of Public Domain and Copyrighted Fiction Bestsellers*, 92 MINN. L. REV. 1031 (2008).

250 REGISTER OF COPYRIGHTS, U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS (2006), *available at* http://www.copyright.gov/docs/regstat030806.html; Frank Muller, *Legislative Update: Owners and Users Unite!: Orphan Works in the Copyright Modernization Act of 2006*, 17 DEPAUL-LCA J. ART & ENT. L. & POL'Y 79, 81-82 (2006).

251 REGISTER OF COPYRIGHTS, U.S. COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS (2006).

252 H.R. 5439, 109th Cong. (2006); S. 2913, 110th Cong. (2008).

253 Jonathan Band, *Symposium: Collective Management of Copyright: Solution or Sacrifice?: The Book Rights Registry in the Google Book Settlement*, 34 COLUM. J.L. & ARTS 671, 691 n. 162 (2011).

fearing it would have freed their often unmarked works for broad dissemination over the Internet.[254]

If orphan works legislation were enacted, it would liberate some works for use. A documentary filmmaker could conduct a reasonable search on a particular photograph, and may be able to use the image even if the photographer cannot be found. But for museums, libraries, the Google Books project or anyone else wanting to launch a large digitization project, the legislation would not offer an adequate solution if the bill requires searching for an author before treating a work as an orphan. It is difficult to imagine how one would conduct such a search for a collection of photographs not marked with the name of the person who created them. This requirement would be cost prohibitive for large collections combining the works of many authors.[255] The resources required to search for copyright owners would be so overwhelming, that orphan works legislation would not provide a practical solution.[256] Therefore, even if such legislation were enacted, it would not liberate most works for free use or provide a clear answer to whether a work was reliably in the public domain and not a continuing source of economic risk. A publication test that examines the collection as a whole may indicate whether the work is in the public domain.

D. Publication Test Derived from Precedent

A fourth solution would be to articulate a test for determining when a work is in the public domain. Copyright publication precedent has developed important principles that can be used to determine whether an archived work is protected by copyright. This solution would preserve the public domain as a place in which a work reliably sits available for reinvention by future creators. It would clarify whether many works with an ambiguous status reside within it. Providing clarity through precedent would yield results that are consistent with historical practices.

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254 HIRTLE, HUDSON, & KENYON, *supra* note 38, at 172 ("The Orphan Works Act of 2006 . . . met strident opposition from photographers, who were worried that because their work can easily lose all identifying markings, it would be easy for users to label them 'orphans' and widely distribute them on the Internet. As a consequence, the bill failed to pass before Congress adjourned. New, compromise bills that supposedly addressed the concerns of all parties were reintroduced into the House and Senate in 2008, but they, too, encountered opposition from critics who fear the impact of the legislation on their businesses, and only the House Bill passed.").

255 *Id.* at 172 ("The solutions that have been proposed would make it too costly for any large-scale digitization program to avail themselves of the protections in the law. It is likely, therefore, that the digitization of orphan works will continue to entail some risks.").

256 Band, *supra* note 253, at 692.

To the extent precedent has created patterns that signal when a work is published, these patterns should be used to identify a test for assessing copyright publication and determining whether a work is in the public domain. The analysis identifying the factors most important to courts in publication decisions generally may be used to determine whether archived works are in the public domain. For future courts, historians, publishers, filmmakers and anyone else seeking clarity on whether a twentieth century work is protected by copyright, these variables may be used to determine its status.

An important step in drafting standards is to identify and set aside attributes that are not meaningful indicators of publication. On a macro level, interesting differences appear to be caused by the type of work being considered or the place where the work was deposited. As explained in Part III, a closer look at the underlying judicial decisions indicates that the type of work and type of archive are not the factors that influence publication decisions. Whether a work is an architectural drawing, letter or photograph should not be the variable that drives a publication conclusion. Similarly, conclusions should not be drawn based only on a deposit in a public archive, whether it is a library or an architectural zoning board. Although the summary statistics appear to reflect differences based on the type of work and the nature of the archive, the publication decisions result from the way the works are treated, not the categories themselves.

Instead, to determine whether a work is published, two variables are most significant: (1) whether the copyright owner acts in a manner reflecting an intent to share the work with the public and (2) the availability of authorized copies. In assessing the first of these two, the nature of the copyright owner's intent must be specifically delineated. It is not enough to intend for a work to be seen. Public display and performance do not amount to copyright publication. Intent to protect the copyright is also insufficient, as most authors say, in hindsight, that such intent was their plan. The relevant inquiry is what the author "intended to do rather than what he intended to be the legal consequence of his acts."[257] To support publication, the deposit must reflect an intention to permit public access to copies. The intent need not be express. Conduct showing that the copyright owner permitted access so that the public could make copies favors a finding of publication.

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[257] King v. Mister Maestro, Inc., 224 F. Supp. 101, 103 (S.D.N.Y. 1963) ("Dr. King says that he did not intend his speech 'to be generally distributed or generally made available to the public at large' but to be 'specifically limited in use to assisting the press coverage of the March by the press'. The intent of Dr. King is legally irrelevant; the question is solely with what he did."). *See also,* Brown v. Tabb, 714 F.2d at 1092; White v. Kimmell, 193 F.2d at 747; King v. CBS, Inc., 13 F. Supp. 2d 1347, 1353 (1998).

The nature of the intent explains the apparent differences between works archived before zoning boards and other public repositories. If a work was archived for a purpose other than the desire to share it in copies, the requisite intent may be absent. For this reason, the opinions dealing with architectural works often indicate that a finding of publication is less likely, because the acts of the copyright owner demonstrated that the deposit was motivated by the desire to obtain zoning approval or a building permit, not to share copies.

Rental, lease and lending is an example of another variable that appears significant in itself, but is better viewed as a proxy for copyright owner intent. The statutory definition provides that the presence of this variable constitutes publication.[258] One may question why the courts do not follow the plain language of the statute. If they did, all loaned works would be published. The doctrine is not so black and white. The limited publication doctrine permits a work to be shared but not published if the copyright owner controls who receives copies and prohibits reproduction. When a work is loaned to a small selected group with restrictions on copying, courts are less likely to find that the work is published because the restrictions reflect a copyright owner's intent to prevent the public from obtaining copies. In contrast, unrestricted loans manifest an intent to permit sharing, making a finding of publication more likely. Because courts appropriately examine the context in which a work was rented, leased or loaned, copyright owner intent heavily influences the publication conclusion.

Consistent with these findings, the following standard should be used to determine the copyright status of works in public museums, libraries, government offices and archives:

A work is published if:

1. The work was put in a public collection;
2. the deposit was made or authorized by the copyright owner; and
3. the archive did not impose restrictions on copying the work.

A work is in the public domain, if:

1. It was published before 1978;[259]
2. it is a U.S. work, and
3. it is not marked with a valid copyright notice.

To determine if an archived work was published, one must examine the terms of the deposit and the nature of the availability. Consistent with the findings on author intent and the treatment of architectural works de-

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[258] *See supra* note 76 and accompanying text.

[259] This date may be extended to March 1, 1989 if no evidence exists that the copyright owner took any of the curative steps identified in 17 U.S.C. § 405. Gerhardt, *supra* note 35, at 142.

posited in government offices, a work is likely to be found unpublished when it is deposited for a purpose other than providing public access to copies. A work on display in a museum or library that prohibits photography of its collection (and enforces its policy) is less likely to be deemed published. Similarly, a collection of original letters would remain unpublished if the copyright owner donated the work with strict instructions to prohibit copying and allow access only to scholars.

The ideal implementation of this solution would be for Congress to clarify the publication definition to include unrestricted deposits in public archives. However, an amendment is not necessary because judicial interpretations of the current definition provide solid support for the solution. Without any Congressional action, the Copyright Office could issue a clarifying regulation adopting the proposed standard. The library and museum community could adopt it in best practices guidelines. The authors of treatises and practice guides could be enormously influential in prompting helpful change by revising their sections on works in public files. Because copyright practitioners rely on them so heavily, a nuanced analysis explaining when archived works are published should be substituted for current sections that treat all archived works like the unpublished subset. The population of archived works is so diverse, their differences support a range of copyright conclusions, not just one.

Adopting the proposed test would require changing library and museum practices. Leading archivists, such has Peter Hirtle, have correctly criticized current practices for being "overly cautious."[260] To the extent these conservative practices treat works as protected when copyright doctrine supports a finding that they are in the public domain, the practices should be abandoned. The proposed solution for determining whether art and historical documents are in the public domain is wholly consistent with more than a century of copyright precedent. The Supreme Court in *Werckmeister* stated that publication may result from "public exhibition of a painting or statue where all might see and freely copy it."[261] Precedential patterns since that time support this view.

Until Congress, the copyright office, leading treatises or the library and museum community formally adopt this proposal, practitioners and courts should use it to guide them through the copyright publication maze. If a U.S. work has been published according to this standard and is not marked with a copyright notice, it is in the public domain. By applying this standard, we can regain trust in the clear status of many works. Historically, the lack of copyright notice gave us a reliable foundation for believing that a work was in the public domain. Many courts have

260 Peter Hirtle, *Undue Diligence*, 34 COLUM. J. LAW & ARTS 55, 59 (2010).
261 Am. Tobacco Co. v. Werckmeister, 207 U.S. 284, 300 (1907).

emphasized the importance of public reliance in this context.[262] This standard can revive that trust in a manner wholly consistent with copyright precedent.

Based on these principles, the MacNeill photographs may be easily classified as part of the public domain. Facts supporting the first three elements establishing publication are all present. The copyright owners donated the entire collection of photographs to a public library without restrictions on whether the works could be copied or shared. After their deposit, the works were made publicly available for anyone to use or copy. This treatment of the works comports with the general doctrinal understanding of publication. The second section establishing entrance into the public domain is also apparent. MacNeill was a U.S. citizen. All of the photographs were deposited in the library decades before 1976. None of these 1925 photographs were marked with a copyright notice. The erroneous copyright notice that now appears in the library's electronic catalog should not change this result. The conduct of the copyright owner, clearly illustrating a desire to share the work publicly, and the fact that the public could and did obtain copies (notwithstanding the general notice in the catalog) establish publication. They are in the public domain. Copyright law should not be used as a barrier to future uses of the MacNeill collection.

This proposal has the potential drawback of maintaining some ambiguity. If a collection was not donated by a copyright owner, it may not be possible to establish the intent element under this test. However, this precaution protects authors who acted to maintain their copyright even if they parted with a particular copy of a work. Also, failure to establish publication under this test does not preclude the possibility of establishing it using other factors.

On balance, application of this test is the best solution as it would promote clarity, efficiency and preservation of a stable public domain. Adoption of new library norms would diminish much of the current uncertainty, giving museums, libraries and publishers a tool for determining whether many twentieth century works are in the public domain. Effi-

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[262] Schatt v. Curtis Mgmt. Grp., Inc., 764 F. Supp. 902 (S.D.N.Y. 1991) (publication with notice prior to actual notice shortens term to date in notice); Scherr v. Universal Match Corp., 297 F.Supp. 107 (S.D.N.Y. 1967) (public display with no visible notice resulted in publication); Sieff v. Continental Auto Supply, Inc., 39 F. Supp. 683, 686 (D. Minn. 1941) (notwithstanding intent not to abandon copyright, public notice should have permitted justifiable reliance); Smith v. Bartlett, 18 F. Supp. 35 (D. Me. 1937) (defendant had no way of knowing cuts found in attic were protected and therefore, the work was found to be in the public domain); Stecher Lithographic Co. v. Dunston Lithograph Co., 233 F. 601 (W.D.N.Y. 1916) (it is important that members of the public, like the defendant, are not misled by a lack of notice).

ciency in the permissions process would be substantially improved. The public would gain clearer notice about whether a work was available for use. Applying these principles, it would often be clear whether a work remains protected by copyright, and therefore, for many works, there would be a much better understanding of whether they are available for public use. It would liberate works so bound up in copyright ambiguity that their historical value is eclipsed. Although the solution appears to promote change in practices, it is doing so only to assure that the practices are not more conservative in defining the public domain than actual legal boundaries. Many collections in copyright limbo could be digitized, so that the public could find and use historic and cultural works. For all of these reasons, adoption of the proposed test is the best solution to resolving the copyright ambiguity for works in our museums and libraries.

V. CONCLUSION

The publication question for twentieth century works should be resolved as follows. When a work has been deposited in a restricted archive that permits display of the work but prohibits reproduction, the work should be considered unpublished. Similarly, a work should be considered unpublished if it was available on loan to scholars or some other restricted group who were not given permission to make copies. The copyright definition of publication is not the same as the lay definition. Even if an archived work never appeared in a published book, it still may be "published" as a matter of copyright law. When a work is deposited in a public archive by the copyright owner for the purpose of giving the public unrestricted access to copies, the work should be considered published. If the work was not marked with a copyright notice and was deposited in such an archive before 1978,[263] the work was published without notice, and is in the public domain. A general warning of the possibility of copyright protection posted by a museum or archive should not make a difference to the outcome. As the Supreme Court explained in *Werckmeister*, public display that permits access to copies may amount to publication when no one acts to prevent distribution. Some works will not fall in one of these two clear scenarios, but many will. For those that do, application of the proposed standard will clarify the copyright status of many historical and cultural treasures that populate our museums and libraries.

263 This date may be extended to March 1, 1989, if no evidence exists that the copyright owner took any of the curative steps identified in 17 U.S.C. § 405. Gerhardt, *supra* note 35, at 142.

THE TREND IN DAMAGES FOR COPYRIGHT INFRINGEMENT IN CHINA: AN EMPIRICAL STUDY ON PRACTICES IN BEIJING COURTS

by He, Huaiwen*

ABSTRACT

Drawing on 540 judgments for copyright infringement rendered by Beijing courts over the past decade, this article tests a well-known claim that low damages for copyright infringement in China are linked to judicial inexperience and the lack of a robust system of discovery of evidence. I find that over the last ten years, mean damage awards have dropped significantly. But over time, and possibly by virtue of gained judicial experience, there has been an increased consistency among cases. While damages awards tend to be higher when the investment in evidence is bigger, this is not the case for the ratio of the amount awarded to that requested by the copyright holder. This suggests that Chinese courts mean to discourage excessive investment in collecting evidence. Moreover, there is evidence that damages for copyright infringement are linked to the standard remuneration for using copyrighted works. Such remuneration rates, while no longer compulsory, work as an important benchmark when Chinese courts are calculating damages for copyright infringement. There are also signs that the royalties collected by Chinese collective management societies might well replace the conventional standard remuneration and serve as a new reference point for computing damages in the future.

INTRODUCTION

China has long been faulted for widespread piracy and poor enforcement of copyright law. In the influential report *China: Intellectual Property Infringement, Indigenous Innovation Policies, and Frameworks for Measuring the Effects on the U.S. Economy*, the U.S. International Trade Commission (ITC) accused Chinese courts with "ineffective remedies" for intellectual property right (IPR) infringements, pointing to "low damage awards."[1] Based on a public hearing and interviews, the ITC blamed "in-

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[1] U.S. Int'l Trade Comm. China: Intellectual Property Infringement, Indigenous Innovation Policies, and Frameworks for Measuring the Effects on the U.S. Economy 12 (2010).

experienced judiciary" and "lack of a robust system for discovery of evidence."[2]

In response to such criticism, China is taking action. Concerns about an inexperienced judiciary will surely lessen with time, as the judges gain relevant experience and expertise. In fact, the ITC report itself acknowledged that "there are some signs of improvement in IPR enforcement, especially with respect to courts in major cities in China, such as Beijing and Shanghai."[3] To address the concern about ineffective remedies, China has revised its patent law, and is amending copyright and trademark laws to raise the ceiling of statutory damages for IPR infringements from 500,000 to 1,000,000 Chinese Yuan (CNY).[4] These amendments, if successfully enacted, would greatly empower courts to award higher damages for IPR infringement at their discretion, even where the IPR holder could neither prove her lost profit or the infringer's unjust enrichment.

Should we sit back, relax, and assume that damage awards for copyright infringement in China will go up in the near future? No, there are considerable risks in relying wholly on the ITC report; public hearings and interviews could be biased and incomplete. To have a comprehensive understanding of the situation, I have surveyed nearly 600 copyright infringement cases decided in the past decades by courts in Beijing City, the hub of China's judicial protection for IPR. I intend to show the trend of damages awards for copyright infringement in China in an objective and statistical way. My ambitions do not include trying to establish a "theory" to explain satisfactorily the whole story. Rather, I try to bring new light into the discussion.

In this article, I first review the judicial practices over the past two decades in order to place the later discussion in context. Second, I explain the method of this empirical study: How I collected data and processed it. Third, I present the results and discuss them. In particular, I show the general trend over time, questioning the role of judicial inexperience in low damages for copyright infringement; I demonstrate damages awards in relation to investment in collecting evidence by plaintiffs, casting doubt on the claim that a robust system of discovery of evidence is the right medicine; and I try to find out how courts decide damages where there is

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[2] *See id.*

[3] *See id.* at 13.

[4] Currently, one yuan is worth approximately sixteen American cents. The Chinese Trademark Law was amended on August 30, 2013, and the new law came into effect on May 1, 2014. According to Article 63 of the new law, where actual damages suffered from infringement, illegal gains for infringement and trademark licensing royalties are difficult to determine, courts may award an amount no more than 3,000,000 CNY, considering the circumstances of the case.

scanty evidence in support for the plaintiff's requested amount. Finally, I present my conclusions.

I. JUDICIAL POLICIES AND PRACTICES IN DAMAGES AWARDED FOR COPYRIGHT INFRINGEMENT FROM 1991 TO 2012

The Supreme People's Court (SPC) is responsible for developing "judicial polices" in China, which deeply influence everyday judicial practices.[5] These policies can be tracked through speeches and opinions of the SPC's heads. Technically speaking they are not rules of law, unlike judicial interpretation issued by the SPC, which is of equal force to laws. In practice, however, lower courts show weighty deference to them. Since the Chinese Copyright Law (CCL) came into existence, judicial practices may be analyzed in four periods, each reflecting a different approach.

A. First Period (1991–2001)

The People's Republic of China enacted its copyright law in 1990, which came into effect in June 1991. In this law, there was no specific provision for damages. The SPC itself was groping in the dark. In practice, courts treated copyright infringement as a tort and awarded damages by relying on general civil rules for damages for torts. As a result, courts compensated the prevailing copyright holder only for the injury suffered from the infringement. The infringer's gains were illegal and would be confiscated according to paragraph 3, Article 134, of General Principles of Civil Law.[6] Where severe infringement occurred, courts might fine the infringers according to Article 51 of the Implementing Regulations of the Copyright Law (1991).[7]

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[5] Since 2012, the SPC begun to publish "leading cases," intending that lower courts will follow them. So far, no leading IPR case has been published. *See* Supreme People's Court, First Batch of Leading Cases (2011), *available at* http://www.court.gov.cn/xwzx/fyxw/zgrmfyxw/201112/t20111220_168538.htm; Second Batch of Leading Cases (2012), *available at* http://www.court.gov.cn/xwzx/fyxw/zgrmfyxw/201204/t20120414_175938.htm; Third Batch of Leading Cases (2012), *available at* http://www.court.gov.cn/xwzx/fyxw/zgrmfyxw/201209/t20120925_178369.htm.

[6] *See* Walt Disney, Inc. v. Beijing Publ'g House, civil judgment (1994) Zhong-Jing-Zhi-Chu-Zhi No. 141 (1st Interm. Ct. of Beijing City. Paragraph 3, Article 134, of the General Principles of Civil Law provides: "When adjudicating civil cases, courts . . . may issue admonitions, order the offender to sign pledges of repentance, confiscate property used in carrying out, or illegal gains from, illegal activities, and impose fines or detentions according to laws."

[7] *See id. See also* SPC, Judicial Interpretation of Several Issues on Adjudication of Copyright Dispute, Fa-Shi [2002] No. 31 (Oct. 15, 2002), Implementing Regulations of the Copyright Law of P.R. China arts. 29, 51 (1991) (English

B. Second Period (2001-2005)

To accede to the WTO, China revised the Copyright Law in 2001 to bring it into line with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs). Remedies for copyright infringement were strengthened. In particular, Article 49 CCL 2001 was enacted in which three methods of calculating damages for infringement were provided: (1) the infringer must compensate for actual damages suffered by the right holder (hereinafter "actual damages"); (2) where such actual damages are difficult to assess, courts may award the right holder the infringer's illegal gains from infringement (hereinafter "illegal gains"); and (3) where both the actual damages and the illegal gains are difficult to assess, courts may award damages in an amount less than 500,000 CNY in light of the circumstances of the infringing act (hereinafter "statutory damages"). In addition, damages must include "reasonable expenses" incurred by the right holder for enforcing the copyright (hereinafter "reasonable expenses").

Since this amendment was added in the second period, the SPC emphasized "adequate compensation" and "depriving infringers of any gain from infringement."[8] In particular, the SPC lowered the plaintiff's burden of proof for both actual damages and illegal gains. Actual damages may be calculated through profit per authorized copy multiplied by the lost sale of authorized copies.[9] The latter factor, when difficult to ascertain, could be substituted for by the sale of infringing copies.[10] At the same time, the infringer was presented with a heavier burden of proof. Actual damages, calculated through the above formula, would be awarded in full unless the defendant proved any part of them was not caused by his infringing act.[11] Illegal gains based on the infringer's records would be presumed to be correct unless the defendant presented convincing evidence to the contrary.[12]

Where actual damages and illegal gains are difficult to assess, courts may award statutory damages either on request or at its discretion.[13]

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version), *available at* http://www.wipo.int/wipolex/en/text.jsp?file_id=125967.

[8] *See* Cao, Jianmin, Step up Judicial Protection for Intellectual Property, Regulate Competition Order in Market, Speech at the National Judicial Conference on the Adjudication of Intellectual Property Disputes (Nov. 11, 2004), *available at* http://www.court.gov.cn/zscq/dcyj.

[9] *See* Supreme People's Court of P.R.China, Judicial Interpretation of Several Issues on Adjudication of Copyright Dispute art. 24, Fa-Shi [2002] No. 31.

[10] *See* Cao, *supra* note 8.

[11] *See id.*

[12] *See id.*

[13] *See* Judicial Interpretation of Several Issues on Adjudication of Copyright Dispute, *supra* note 10, art. 25.

However, the SPC held this alternative to be a last resort and cautioned against its simplistic application. To restrain judicial discretion, the SPC emphasized that there was no statutory ground for awarding punitive damages,[14] and courts were not to punish infringers under the guise of statutory damages. To deter serious infringement, the courts were instructed to rely on the aforementioned Article 134 of General Principles of Civil Law.[15] Furthermore, courts are required to take into account the following factors when considering statutory damages: the type of the work infringed, reasonable royalties, nature of the infringing act, consequence of the infringement, and other relevant circumstances.[16] The SPC took a narrow view towards "reasonable expenses," which included only costs incurred for investigating infringement and collecting evidence, and attorneys' fees paid in accordance to national regulation.[17]

C. Third Period (2005–2008)

In the third period, IPR protection was further enhanced. The SPC characterized damages not only as a vehicle to compensate actual loss suffered from infringement, but also as measures to deter infringement.[18]

In particular, the SPC relaxed the requirements for statutory damages. In the SPC's view, the statutory ceiling of 500,000 CNY did not control. In cases where clear evidence indicated that either actual damages or illegal gains were above the ceiling, courts were permitted to disregard it.[19] In *Autodesk, Inc. v. Beijing Longfa Construction Decoration Engineering, Ltd.*, the Second Intermediate Court of Beijing City awarded 1,490,000 CNY for copyright infringement of software, an amount nearly three times the statutory upper limit.[20] In average cases, the SPC advised courts to award statutory damages in an amount more than normal royalties,[21] but not in excess of possible gains from the infringement. [22]

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14 *See* Cao, Step up Judicial Protection, *supra* note 8.

15 *See* Judicial Interpretation of Several Issues on Adjudication of Copyright Dispute *supra* note 9, art. 29.

16 *See id.* art. 25.

17 *See id.* art. 26.

18 *See* Cao, Jianmin, Strengthen Judicial Protection for Intellectual Property, Enhance Environment for Innovation, and Build a Harmonious Society, Speech at the National Judicial Conference on Adjudication of IP Disputes (Nov. 21, 2005), *available at* http://www.court.gov.cn/zscq/dcyj.

19 *See* Cao, Jianmin, Upgrade Adjudication of Intellectual Property Disputes To Provide Effective Judicial Safeguard for Building Innovative Country and Harmonious Society, Speech at the National Judicial Conference on the Adjudication of IP Disputes (Jan. 18, 2007), *available at* http://www.court.gov.cn/zscq/dcyj.

20 *See* Autodesk, Inc. v. Beijing Longfa Const.on Decoration Eng'g, Ltd., civil judgment (2003) Er-Min-Chu-Zi No. 6227 (2d Interm. Ct. of Beijing City).

21 *See* Cao, Upgrade Adjudication, *supra* note 19.

Acutely aware of the courts' wide discretion in awarding statutory damages, the SPC reiterated the importance of consistency among similar cases,[23] warning repeatedly against simplistic applications. While copyright holders were allowed to elect statutory damages, the SPC required courts to do their best to "guide" plaintiffs into basing claims for damages on either actual damages or illegal gains.[24] When the plaintiff chooses statutory damages, she must come forward with relevant evidence and convincing reasons for the amount requested[25]; and the court must set down its reasoning, in particular the factors considered, when arriving at a specific damage amount. [26]

In addition, the SPC reaffirmed strict limitations upon "reasonable expenses." To determine which expenses were reasonable and thus remediable, courts were required to consider their necessity, the claims allowed, the ratio of damages awarded relative to damages requested and so on. Attorneys' fees would be permitted only where the amount was reasonable and paid in conformity with administrative regulations for licensed Chinese lawyers.[27]

D. Fourth Period (2008–2012)

The fourth period came in June 2008 when the State Council promulgated the Outline of National Intellectual Property Strategy. This outline positioned IPR strategically in line with China's long-run objective to be an innovative country. It required the state to "revise laws and regulations to punish infringements on IPRs and strengthen judicial punishment," "lower the cost of right enforcement," "increase the cost of infringements" and "curb infringements effectively."[28]

The SPC quickly echoed this call.[29] It made clear that judges might rely on everyday experience and logic in calculating damages in light of all

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22 *See* Cao, Strengthen Judicial Protection, *supra* note 18.

23 *See id.* .

24 *See* Cao, Jianmin, "Study and Implement the Spirit Of 17th CPC National Congress: Step up Research in Adjudication of IP Dispute and Institutional Innovation], Keynote Speech at the Ninth National Judicial Conference on Adjudication of IP Disputes (Nov. 16, 2007), *available at*: http://www.court.gov.cn/zscq/dcyj.

25 *See* Cao, Strengthen Judicial Protection, *supra* note 18; Cao, Upgrade Adjudication, *supra* note 19.

26 *See* Cao, Strengthen Judicial Protection, *supra* note 18; Cao, Upgrade Adjudication, *supra* note 19.

27 *See* Cao, Strengthen Judicial Protection, *supra* note 18.

28 *See* STATE COUNCIL OF P.R.CHINA, OUTLINE OF NATIONAL INTELLECTUAL PROPERTY STRATEGY para. 13 (2008), *available at* http://english.gov.cn/2008-06/21/content_1023471.htm.

29 *See* Xi, Xiaoming, Strong Safeguard for Implementing Scientific Outlook on Development and Building Innovative Country: Courts' Leading Role in IP

evidence presented and whether the right holders were deemed to have met their burden of proof when the proposition was more likely to be true than not true.[30] The SPC even encouraged judges to approach damages through judicial presumption where appropriate.[31]

The SPC showed serious distrust of statutory damages, however. It urged that courts "guide" plaintiffs away from electing statutory damages.[32] Only when basic information was absent or not reliable enough to determine actual damages or illegal gains, should courts consider statutory damages.[33] In calculating statutory damages, judges should set forth each and every factor weighed,[34] which may include available licensing royalties, average profit for the business in question, the nature and duration of the infringing act, culpability of the infringer, and so on.[35] Furthermore, the amount should be set down independent of "reasonable expenses" unless it was otherwise required by laws. [36]

All these measures did not work satisfactorily, however. The SPC is considering additional measures to prevent statutory damages from being awarded in a simplistic and arbitrary manner across the country.[37]

II. METHOD

A. Data Source

China is a huge country with wide disparity among its provinces. To ensure that data will be comparable, I focus on copyright infringement cases decided by the courts in Beijing City.[38] Undoubtedly, these courts host the most experienced Chinese IPR judges and play a leading role in

Protection, Speech at the National Judicial Conference on Adjudication of IP Disputes (Nov. 28,2008), *available at* http://www.court.gov.cn/zscq/dcyj.

30 *See* Sup. People's Ct. of P.R. China, Several Issues Concerning Intellectual Property Trials Being of Service to the Whole Economic Situation (Fa-Fa [2009] No. 23 (Apr. 21, 2009)).

31 *See* Xi, Xiaoming, Active Administration of Justice in Service to the Whole Situation, Pushing for New Progress in Adjudication of IP Disputes (Apr. 28, 2010), *available at* http://www.court.gov.cn/zscq/dcyj.

32 *See* Several Issues Concerning Intellectual Property Trials Being of Service to the Whole Economic Situation, *supra* note 30.

33 *See* Xi, *supra* note 31.

34 *See* Several Issues Concerning Intellectual Property Trials Being of Service to the Whole Economic Situation, *supra* note 30.

35 *See* Xi, *supra* note 31.

36 *See* Several Issues Concerning Intellectual Property Trials Being of Service to the Whole Economic Situation, *supra* note 30.

37 *See* Xi, *supra* note 31.

38 There are eight intellectual property tribunals in Beijing City, organized in three tiers. Five of them are in district courts, the judgments of which may be brought before the IPR tribunal of the First Intermediate Court of Beijing City or the Second Intermediate Court for appellate reviews. Where

this field in China. From 2002 to 2011, these courts decided 54,436 cases, half of which arose from copyright disputes.[39]

To show Chinese judicial practices over the past two decades, I collected cases decided in four year groups: 1991–2001; 2003–04; 2007; and 2011–12. Judgments made prior to 2002 are extremely difficult to access because they were not published on a regular basis. For the Year Group 1991–2002, as a fallback, I used cases published in the book *Typical Intellectual Property Cases* compiled by the Third Civil Division of the Beijing High People's Court.[40] Because the forty-four cases so collected were "selected," and not representative, I finally dropped them. After China acceded to the WTO, the High Court of Beijing City began to post IPR cases on its official Web site (http://bjgy.chinacourt.org/cpws) on its own initiative. While there is no guarantee that all IPR judgments are published, most cases are. For statistical purposes, they are telling. Those unpublished and inaccessible cases might raise curiosity, but do not represent the mainstream. It is better to leave them to WikiLeaks. The best I can do is to survey all the copyright infringement cases so far posted by the court, which fall within the year groups indicated above.

B. Data Processing

I processed all data through SPSS 20.0. In total, I surveyed 584 cases, of which 540 cases that were decided in the past decade will be analyzed in this article. Where either party appealed, only the data on the final judgment is taken into account. For every case, I collected four variables: reasonable expenses and damages requested by the plaintiff and reasonable expenses and damages awarded by the court. For meaningful comparison, inflation over time is taken into account. I set 2000 as the base year, and adjusted all amounts in light of the annually-published Consumer Price Index (Urban Household).[41] Where the case numbers are consecutive and the judgments have only minor differences, they were decided by like minds and at one time. I regarded them as one independent case and relied on the average amounts in my analysis.

Moreover, I analyzed the data of ninety-nine "independent" infringement cases of literary works included in the 540 cases. Because courts

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the intermediate courts hear IPR cases at the first instance, the parties may appeal to the High Court of Beijing City for final judgment.

[39] *See* Chen, Jinchuan,et al, *A Summary of Judicial Work in Intellectual Property Cases from 2002-2011 in Beijing City*, CHINA INTELL. PROP. NEWS (Aug. 12, 2012) http://www.cipnews.com.cn/showArticle.asp?Articleid=24170.

[40] THIRD CIVIL DIVISION UNDER HIGH COURT OF BEIJING CITY. TYPICAL INTELLECTUAL PROPERTY CASE (2003).

[41] *See* CHINA STATISTICAL YEARBOOK (2012), *available at* http://www.stats.gov.cn/tjsj/ndsj/2012/indexce.htm.

factor in the nature of the work infringed in calculating damages, controlling the category of the work can yield valuable information. Furthermore, where possible, I counted the Chinese characters copied from the copyrighted work by the infringer. Thus, I could calculate damages per thousand Chinese characters (D.P.CH), a telling indicator for the strength of copyright protection.

Because my focal point in this article is "adequate compensation" for copyright infringement, I consider only "average cases." Where the damage award deviates from the mean of the year group by more than two standard deviations, the case is regarded as an "extreme case" and is thus excluded. In total, I dropped fourteen "extreme cases." They involved high damage awards, indicating their deterrent effects for future infringements.

Before going into a detailed discussion, it should be noted that damages for "average cases" were nearly all awarded under the rubric of "statutory damages." This fallback method of calculating damages actually played a dominant role. It was rare that courts awarded actual damages or illegal gains as such. Where the plaintiff did elect either one, the court was quick to find that the evidence presented was not sufficient to fully support the amount claimed. In this event, the court would take control of the case, exercising discretion to consider all available evidence in calculating so called "statutory damages." Because of its prevalence, unless otherwise indicated below, all the data presented below is subsumed into "statutory damages."

III. RESULTS AND DISCUSSION

A. Judicial Experience and Damage Awards

It has been twenty years since China enacted its copyright law. By now, the judges who sit in Beijing courts should have developed the requisite knowledge and expertise in dealing with copyright infringement cases through training and experience. The mean damages, however, actually decreased considerably over the past decade (see Table 1 and Fig. 1). This decline, at the level 0.05, was significant. In particular, the mean damages of the Year Group 2011–12 were less than one third of that of the Year Group 2003–04. Even if the "extreme cases" are included, the general trend remains (see Table 2 and Fig. 2)

Table 1 Damage awards for copyright infringement (Beijing Courts, CNY Adjusted to Base Year 2000)

		2003-2004	2007	2011-2012
N		96	148	282
Mean		44187.54	35268.48	13724.84
Std. Deviation		59631.07	49555.41	18107.73
Minimum		99.31	44.66	31.42
Maximum		298123.44	233119.57	78543.18
Percentiles	25	5813.41	6922.13	1570.86
	50	20868.65	13397.68	6283.45
	75	49431.19	43220.90	17731.12

Table 2 Damage awards for copyright infringement (Beijing Courts, CNY Adjusted to Base Year 2000) (All surveyed cases)

		2003-2004	2007	2011-2012
N		99	152	289
Mean		66895.98	48149.37	18380.90
Std. Deviation		165493.70	100033.30	37045.92
Minimum		99.31	44.66	31.42
Maximum		1480679.73	893178.41	392715.89
Percentiles	25	5962.47	7078.44	1570.86
	50	22841.84	13397.68	6796.70
	75	59587.41	44658.92	18865.05

Fig. 1 Mean damages for copyright infringement (Beijing Courts, CNY Adjusted to Base Year 2000)

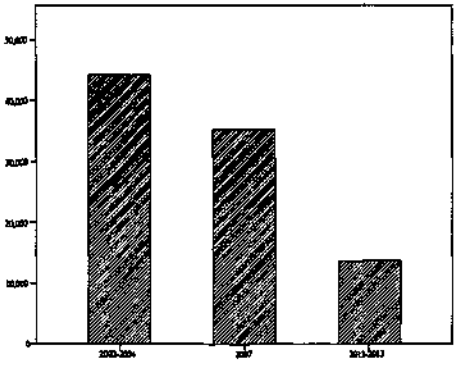
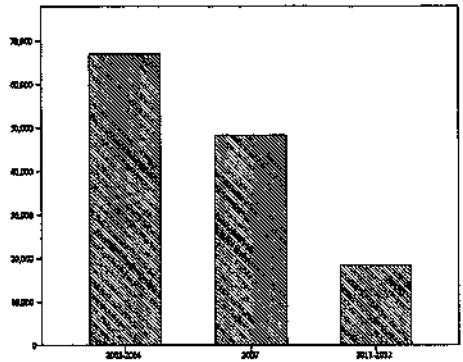


Fig. 2 Mean damages for copyright infringement (Beijing Courts, CNY Adjusted to Base Year 2000) (All surveyed cases)



This decline is noticeable compared to the conspicuous increase in disposable income per capita in Beijing City over the same period.[42] In Year Group 2003–04, nearly 60% of damage awards were greater than the disposable income per capita (15,637 CNY (2004), or 15,049 CNY (2000)). With regard to Year Group 2007 and 2011–12, this percentage dropped by approximately 20% and 40% respectively.[43]

Furthermore, damage awards for average copyright cases were far from the ceiling of statutory damages (that is, 500,000 CNY). In Year Group 2003–04, the awards of more than 75% of the cases were under 50,000 CNY, and in Year Group 2011–12, under 20,000 CNY (see Table 1). It is thus doubtful that damage awards would improve if the ceiling is lifted up.

The variance among awards, however, declined remarkably (see Table 1). In terms of statistics, this change was significant at the level 0.05 (see Annex 1).

The above tendency holds true when the type of infringement is controlled. In theory, damages should be a function of injury caused by copyright infringement, which is closely linked to the size of population the infringing work can reach. There is a distinction between infringing acts of reproduction and distribution in a physical environment and of reproduction and communication through the information network.[44] With respect

[42] For yearly disposable income per capita in Beijing City, see Beijing Statistics Information Net, http://www.bjstats.gov.cn (last visited Jan. 16, 2014).

[43] Disposable income per capita in Beijing City was 21,989 CNY in 2007 (19,640 CNY when adjusted to 2000), 32,903 in 2011 (25,843 CNY when adjusted to 2000).

[44] Infringement cases involve other exclusive rights, such as right of broadcasting, of display, or performance are not counted for this purpose.

to those for copyright infringement in a network environment, the sample for Year Group 2003–04 was too small for meaningful assessment. At that time, the Internet was not yet accessible to the general public. There was a sharp drop in damages from 2007 to 2011–12. With regard to damages for copyright infringement in a physical environment, a similar decline was noticeable (see Table 3 and Table 4, Fig. 3 and Fig. 4).

Table 3 Damage awards for copyright infringement in physical environment (Beijing Courts, CNY Adjusted to Base Year 2000) (All surveyed cases)

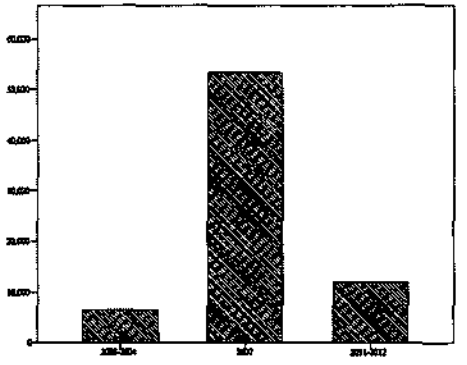
		2003-2004	2007	2011-2012
N		74	88	67
Mean		50838.02	45148.14	22980.47
Std. Deviation		87919.38	119760.30	63967.29
Minimum		99.31	44.66	125.67
Maximum		496872.39	893178.41	392715.89
Percentiles	25	5439.92	5984.30	1510.38
	50	15899.92	12057.91	3020.76
	75	48196.62	30164.43	9817.46

Table 4 Damage awards for copyright infringement in network environment (Beijing Courts, CNY Adjusted to Base Year 2000) (All surveyed cases)

		2003-2004	2007	2011-2012
N		7	61	180
Mean		6456.16	53456.00	11960.03
Std. Deviation		8735.79	65683.58	19274.21
Minimum		496.56	585.03	31.42
Maximum		24828.09	267953.52	141377.72
Percentiles	25	1191.75	8931.78	1510.38
	50	1490.62	22329.46	6982.49
	75	8049.33	83958.77	15708.64

Fig. 3 Mean damages for copyright infringement in physical environment (Beijing Courts, CNY Adjusted to Base Year 2000) (All surveyed cases)

Fig. 4 Mean damages for copyright infringement in network environment (Beijing Courts, CNY Adjusted to Base Year 2000) (All surveyed cases)



Controlling the category of the work being infringed, the above trend is confirmed. With regard to infringement of literary works, both damages award per case (D.P.C.) and damages award per thousand Chinese characters (D.P.CH.) diminished over the time: mean D.P.C. of Year Group 2011–12 was less than half that of Year Group 2003–04, and mean D.P.CH of the former was less than one-fourth that of the latter (see Table 5, Fig. 5 and Fig. 6), these differences being significant at the 0.05 level (see Annex 2). Over the same period, variance for both D.P.C and D.P.CH shrank considerably (see Table 5 and Annex 2).

Table 5 Damages per case (D.P.C) and damages per thousand Chinese characters (D.P.CH) for copyright infringement of literary works (Beijing Courts, CNY Adjusted to Base Year 2000)

		D.P.C			D.P.CH		
		2003-04	2007	2011-12	2003-04	2007	2011-12
N	Valid	21	30	38	16	18	27
	Missing	0	0	0	5	12	11
Mean		15565	15504	7478	238.95	92.55	58.12
Std. Deviation		20373	16849	9181	128.70	74.88	60.51
Minimum		100	45	61	20.57	5.73	10.13
Maximum		77123	66988	49585	481.35	223.29	213.98
Percentiles	25	1937	3640	972	140.33	35.41	21.15
	50	5962	8932	5313	226.33	48.61	28.05
	75	20863	17864	11441	324.65	179.65	76.21

Fig. 5 Mean damages per case (D.P.C) for copyright infringement of literary works (Beijing Courts, CNY Adjusted to Base Year 2000)

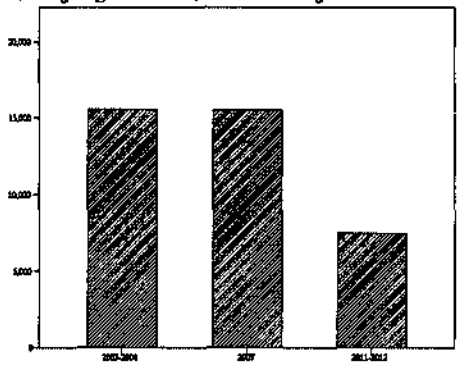
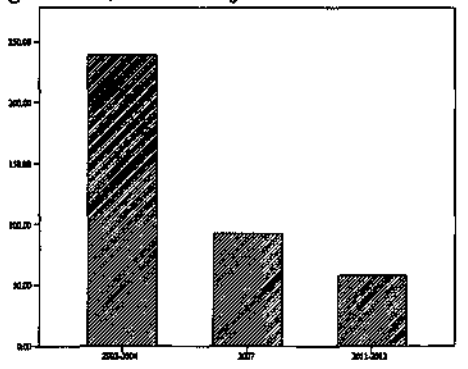


Fig. 6 Mean damages awarded per thousand Chinese characters (D.P.CH) for copyright infringement of literary works (Beijing Courts, CNY Adjusted to Base Year 2000)



Further controlling the type of infringement, the result does not change. Data being grouped in accordance to infringement of literary works in the physical environment and the network environment respectively, statistical analysis shows that the average damages per case declined in the same way (see Table 6, Fig. 7 and Fig. 8). Because the sample size is small for Year Group 2003–04 when Internet penetration was low, we need only compare Year Group 2007 and 2011–12 to see if the differences are significant. The answer is yes (see Annex 3).

Table 6 Damages per case (D.P.C.) for copyright infringement of literary works in the physical and network environments (Beijing Courts, CNY Adjusted to Base Year 2000)

		Infringing Reproduction and Distribution in Physical Environment			Infringing Communication through Network		
	Year Group	2003-2004	2007	2011-2012	2003-2004	2007	2011-2012
	Valid	19	15	14	2	15	24
	Missing	0	0	0	0	0	0
	Mean	17099	10047	4582	994	20961	9167
	Std. Deviation	20858	10276	5332	704	20461	10557
	Minimum	100	45	91	496	3662	61
	Maximum	77123	32154	15709	1492	66988	49585
Percentiles	25	3975	2590	396	496	8039	1452
	50	9117	7235	2075	994	9468	7242
	75	21862	17449	10195		38907	12735

Fig. 7 Mean damages per case (D.P.C.) for copyright infringement of literary works in the physical environment (Beijing Courts, CNY Adjusted to Base Year 2000)

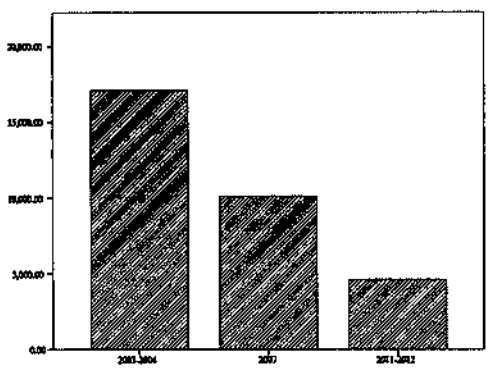
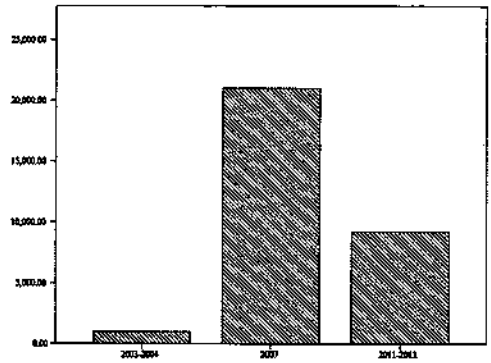


Fig. 8 Mean damages per case (D.P.C.) for copyright infringement of literary works in the network environment (Beijing Courts, CNY Adjusted to Base Year 2000)



Why have damages for copyright infringement declined over the past decade, as shown by the survey? It might be that the courts chose to publish only those cases involving high damages in 2003–04 and 2007. But this is unlikely. There is no indication that those cases studied in this article were exemplar. Furthermore, when the extreme cases are excluded from consideration, the trend remains.

Assuming the cases considered in this article were not published in a significantly biased manner, the above findings cast serious doubt on the claim that low damages for copyright infringement results mainly from judicial inexperience. Over the last two decades, judges in Beijing courts have seen intensive copyright litigations. Their knowledge should accumulate through experience. Furthermore, the judiciary system emphasizes research, training, and experience sharing. Any experiences so gleaned should circulate fairly quickly among the judges. At the very least, it is unlikely that judicial experience degraded over the years. Nevertheless, damages awards have dropped considerably. At the same time, consistency among cases is increased. A plausible explanation is that judicial experience is not linked to amount of damages awards, but to consistency.

Low damages might be linked to the rise of "copyright trolls." In the past several years, China has seen a glut of copyright lawsuits filed by professional copyright agents, who make money from buying and enforcing others' copyrights. It was reported that one such agent filed 200 lawsuits in 2007.[45] The San Mian Xiang Copyright Agency, Ltd., in Beijing is notorious. Incorporated in 2004, it searches the Internet for notable works and

[45] *See Copyright Agent Launches Litigations Against 40 Companies*, BEIJING MORNING POST (Sept. 14, 2007), http://tech.163.com/07/0914/03/3OAOR9GN000915BF.html.

then buys the copyright to enforce them. So far it has at accused 300 Web sites with copyright infringements,[46] and has been attacked for holding businesses for "ransom."[47] The increase in this sort of litigation even upset the National Copyright Administration.[48] Assuredly, courts that are more familiar with this situation loathe it.[49] To counteract them, courts should be reluctant to award high damages because of the fear of encouraging these socially wasteful suits.

There is some evidence that when copyright agents are involved, cases typically end up with an award below average damages. For instance, in the eighteen digital copyright infringement cases initiated by San Mian Xiang in 2011 before the Beijing Haidian People's District Court,[50] the awards were 1,000 to 2,000 CNY for each case, including reasonable expenses, far below the average (see Table 6). The court noted that the works in dispute were written by obscure authors and were published more than ten years ago, and had not been republished. Even though they were illegally posted on Web sites, their value was low and thus damages should be low.[51]

It is thus questionable that damages for copyright infringement would improve with added judicial experience. Furthermore, because damage awards for average cases were far below the legal limitation upon statutory damages, it is unlikely that by raising the ceiling, damage awards would go up in the future.

B. Investment in Evidence Collecting and Statutory Damages

Investment in evidence collecting could be measured by the reasonable expenses requested by the plaintiff. These are legally limited to expenses such as attorneys' fees, notary and evidence collecting fees, auditing expenses, and relevant accommodation expenses.[52]

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[46] *See* Yuan, Tongcheng, *Cultural Predicament in Respect of Intellectual Property in Transitional Society: Reflection on Legal and Social Impact of the San Mian Xiang Copyright Litigations*, TRIB. OF SOC. SCI., no. 4 (2009), at 85-88.

[47] *See* Dong, Taude, *San Mian Xiang Litigates Copyright Infringement for Ransom*, CHINA BUS. NEWS (Mar. 13, 2008), http://finance.sina.com.cn/roll/20080313/02302065500.shtml.

[48] *Copyright Administration Warning Against Copyright Agent for Act Ultra Vires*, 21st CENTURY BUSINESS HERALD (Jan. 7, 2006), http://news.sohu.com/20060109/n241351120.shtml.

[49] *See Copyright Agent Launches Litigations Against 40 Companies*, *supra* note 45.

[50] *See* civil judgment (2011) Hai-Min-Chu-Zi No. 11,931-11,948 (Haidan Dist. Ct. of Beijing City).

[51] *See id.*

[52] *See* High Ct. of Beijing City, *Judicial Guidance on Calculating Damages for Copyright Infringement* art. 30 JING-GAO-FA-FA [2005] No. 12 (Nov. 1, 2005).

Of all the "average cases" where reasonable expenses were explicitly claimed, more than half of the plaintiffs claimed an amount under 5,000 CNY, and in no more than 20% of them an amount in excess of 10,000 CNY (see Annex 4). Therefore, I grouped average cases into three groups according to the amount which the plaintiff requested as reasonable expenses: "L cases" where this amount is less than 5,000 CNY; "H cases" where such an amount is more than 10,000 CNY; and "M cases" where said amount lies between 5,000 and 10,000 CNY.

An important change in judicial practices occurred in the past decade. There was no significant difference between L and H cases with respect to mean damages awarded in Year Group 2003–04. With time, this was not the case. In both Year Group 2007 and Year Group 2011–12, at the significance level 0.05, mean damages awarded in L cases were much smaller than those in H ones (see Fig. 9 and Annex 5). Specifically, the mean damages awarded in L cases were around one-seventh of that in H cases within Year Group 2007 (see Fig. 9 and Annex 5). Meanwhile, in the above two year groups, mean damages requested in L cases were much less than those requested in H ones (see Fig. 10 and Annex 5) at the same significance level. Furthermore, it seems that with time, plaintiffs asked for much lower damages in cases where the investment in evidence collecting was low. Regarding L cases, the mean amount requested by plaintiffs for damages in Year Group 2011–12 was less than 40% of that in Year Group 2003–04 (see Fig. 10 and Annex 5).

Fig. 9 Mean damages awarded by court distributed by reasonable expenses requested by plaintiff (Beijing Courts, CNY Adjusted to Base Year 2000)

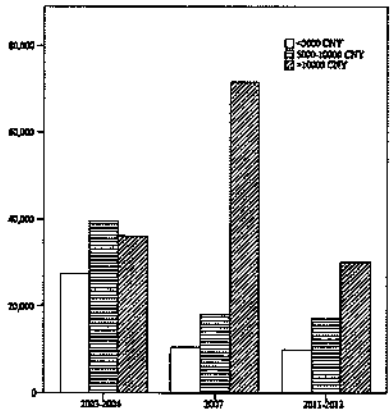
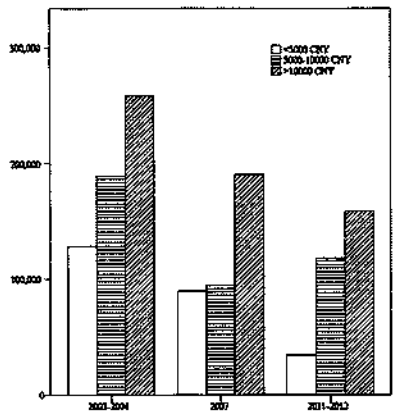


Fig. 10 Mean damages requested by plaintiff distributed by reasonable expenses requested by plaintiff (Beijing Courts, CNY Adjusted to Base Year 2000)



This change indicates that with time, courts become more sophisticated and reward investment in evidence collecting by awarding greater damages. Such judicial sophistication could best be demonstrated in their application of "statutory damages." When statutory damages were first adopted in copyright law in 2001, they were applied in such a "simplistic" manner that in Year Group 2003–04, investment in evidence collecting made no important difference in damage awards. Since then, the Supreme Court has constantly taken pains to put the situation right. The SPC required plaintiffs who elected statutory damages to come forward with relevant evidence and reasoning, and courts to set down the factors considered. This policy helped courts to develop the experience to discern the value of evidence presented to support plaintiffs' request for damages. Over time, judicial practices fell in line with normal expectations: the more the plaintiff invests in evidence collecting, the stronger the case is, and the more damages the court tends to award. Accordingly, plaintiffs adjusted their behavior: the less they invest in evidence, the weaker the case, and the less they would request for damages.

This does not mean that the higher the investment in evidence, the higher percentage the court would allow the damages requested by the plaintiff ("allowed ratio"). On the contrary, courts allowed a smaller portion of the amount requested for damages for H cases than for L cases, notably in recent years (see Fig. 11 and Fig. 12).

The reason for this might be that the courts wanted to discourage plaintiffs from investing too much in evidence and from inflating claims for damages. Bearing in mind that almost all the average cases were decided under the rubric of "statutory damages," where the evidence was not

sufficient to prove the amount of damages claimed by the plaintiff. The higher the allowed ratio for H cases, the stronger the incentive for the plaintiff to invest in evidence. Where such a ratio is too high, for example as great as that for L cases, plaintiffs might be induced to invest too much. The large investment in turn is likely to make the plaintiff overconfident in her case and tempt her to claim more than it warrants. As a result, the court would be forced to expend extra effort to establish the true damages. Both the excessive investment in evidence and added judicial costs in squeezing the inflated damages request are socially wasteful.

Fig. 11 Mean allowed ratio distributed by reasonable expenses requested by plaintiff (Beijing Courts, CNY Adjusted to Base Year 2000)

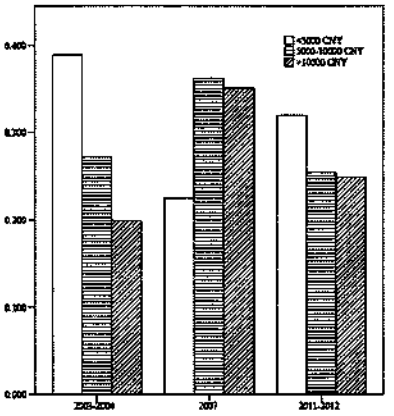
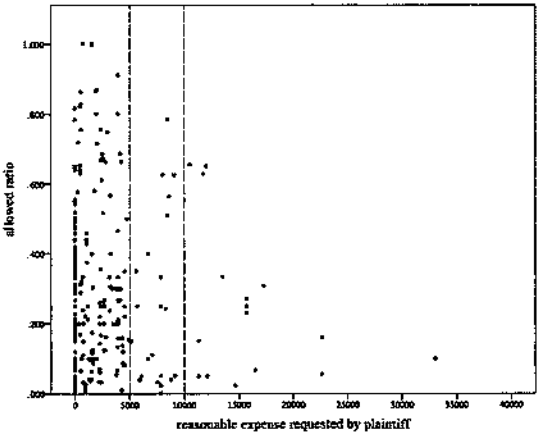


Fig. 12 Allowed ratios for year group 2011-2012 distributed by reasonable expenses requested by plaintiff (Beijing Courts, CNY Adjusted to Base Year 2000)



With the prevalent application of Chinese statutory damages, it is questionable whether a robust system for discovery of evidence similar to that which exists in the U.S. would improve damages amounts in China. Such a system would lead to an increased investment in evidence and more requests for reasonable expenses. It is easy, however, for a court to find that damages claimed by the plaintiff are not fully supported by the evidence collected and presented, and then to impose — at its discretion — an application of "statutory damages." Under existing judicial practices, it can be predicted that damage awards for H cases would further increase, but not significantly in terms of "allowed ratio." High investment in evidence could be found "unreasonable" and would not be paid by the losing infringer. As a result, the turning point could be easily met where the marginal increase in investment in evidence is less than the marginal increase in damage awards. China might end up with a more costly system with little increment in damage awards for IPR infringements.

C. Standard Remuneration and Statutory Damages

Standard remuneration is a Chinese characteristic, which plays a substantial role in awarding damages for copyright infringement, especially for literary works. In the era of a planned economy, the Chinese central government promulgated a standard remuneration for publishing works of authorship, including literary works, fine art works and photographic works.[53] In particular, the National Copyright Administration (NCA) issued the Provisional Regulation for Remunerating Authors of Books in 1990, setting down compulsory remuneration fees for using literary works.[54] In 1999, the NCA updated this regulation and promulgated the Regulation for Remunerating Authors for Publishing Their Literary Works. Unlike its predecessor, this Regulation is not compulsory. It comes into play only where publishers and authors do not have an agreement to the contrary. The standard remuneration includes two parts: Ba-

[53] *See* MINISTRY OF CULTURE, PROVISIONAL MEASURES FOR REMUNERATING AUTHORS FOR FINE ARTS (Jan. 1985). These measures covered fine arts and photographic works. In view of economic developments, the National Copyright Administration raised the remuneration rates by promulgating the Notice on Improving Remuneration for Authors of Fine Arts in July 1990. The Measures and the Notice were both abolished by the National Copyright Administration in March 2011.

[54] Article 3 of this Regulation provided that for the first edition, the authors shall be paid at least 10-30 CNY per thousand Chinese characters ("Basic Remuneration"). In addition to Basic Remuneration, the authors shall be further remunerated on the basis of the number of copies produced: where the copies were fewer than 10,000, an additional 8% basic remuneration; where the copies were more than 10,000, an additional 0.8% basic remuneration per every additional thousand copies.

sic Remuneration, 30–100 CNY per thousand Chinese characters; and Royalties, 1% Basic Remuneration per additional thousand copies.

Although the standard remuneration is not compulsory, courts often rely on it when calculating damages for copyright infringement of literary works. Legal guidance in this respect was established by the *Judicial Guidance on Calculating Damages for Copyright Infringement* promulgated by the High Court of Beijing City in 2005. Under the *Guidance*, courts may award damages within a range of two-to-five times the standard remuneration, taking into account the fame of the literary work infringed; its market value; originality and creation cost; the fame of the author; and the culpability of the infringer. [55]

Courts are, however, not required to factor standard remuneration into damage awards. For instance, in *Liansheng Song v. Netease Inc.*,[56] the defendant made the plaintiff's published books available on the Internet for free downloading without authorization. The plaintiff requested the court to award damages in an amount equal to 200 CNY per thousand Chinese characters. The court rejected this approach as not having a legal basis. Instead, it based the award on factors including the market value of the infringed work, culpability on the part of the defendant, the duration of infringement, and so on.

Nor are courts restricted in awarding damages when considering standard remuneration. It is not uncommon for courts to allow damages for more than the standard remuneration. For instance, in *Youcai Feng v. Beijing Industrial University Publishing House, et al.*,[57] where there were only 1,054 characters copied, the court did not hesitate to award the author 1,000 CNY, nearly ten times the upper limit of the standard remuneration.

Over the past decade, Beijing courts quite often took the standard remuneration into consideration when calculating damages in infringement cases involving literary works. Nearly 40% of them specifically mentioned the consideration of the standard remuneration in calculating damages (see Table 3).

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[55] *See Judicial Guidance on Calculating Damages for Copyright Infringement, supra* note 52, art. 25.

[56] *See* Civil Judgment (2011) Yi-Zhong-Min-Zhong-Zi No. 11138 (First Interm. Ct. of Beijing City).

[57] *See* Civil Judgment (2012) Chao-Min-Chu-Zi No. 24428 (Chaoyang Dist. Ct. of Beijing City).

Table 7 Cases factoring standard remuneration into calculating damages for copyright infringement of literary works (Beijing Courts)

	2003-2004	2007	2011-2012
N	21	30	38
Case counts	8	15	14
Percentage	38%	50%	37%

It appears that over time, courts considered the standard remuneration more often in cases where the evidence was less (as indicated by the low reasonable expenses requested by the plaintiff). In Year Group 2003–04, this was not the case. In Year Group 2007 and Year Group 2011–12, however, the story was totally different. Mean reasonable expenses requested in those cases that considered the standard remuneration (SR1 case) were smaller than in those cases that did not (SR0 case) (see Table 8, Fig. 13). Although the differences were not significant at the level 0.05, together they suggest a general trend: courts fall back on the standard remuneration when considering damages for copyright infringement where evidence is scarce.

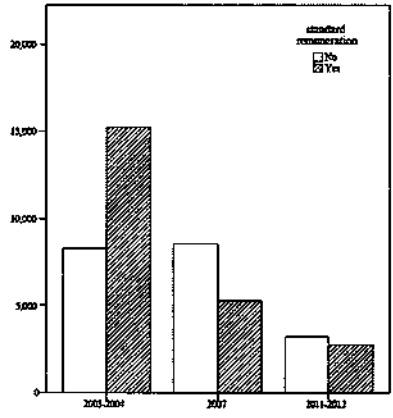
This is corroborated by variances in damages awarded in SR1 cases. As discussed above, less investment in evidence is linked to lower damage awards, and therefore, we should observe that damages awarded in SR 1 cases should be lower than those allowed in SR0 cases. Moreover, because the standard remuneration is the benchmark for calculating damages in SR1 cases, the variance in the amount of damages so awarded should be smaller as well. True, this was not the case in Year Group 2003–04, but in Year Group 2007, courts did order smaller damages in SR1 cases, the variances of which were also narrower (see Table 9, Fig. 14). Statistically, theses differences between SR1 cases and SR0 ones at the level 0.05 (see Annex 6) were both significant. The courts kept to these practices in Year Group 2011–12.

Table 8 Reasonable expenses requested by plaintiff distributed by whether standard remuneration was considered in damage awards for copyright infringement of literary works (Beijing Courts, CNY Adjusted to Base Year 2000)

Year Group		2003-2004		2007		2011-2012	
Category※		N	Y	N	Y	N	Y
	Valid	7	6	12	9	12	13
	Missing	6	2	2	6	12	1
	Mean	8275.82	15248.02	8569.35	5284.51	3239.15	2754.66
	Std. Deviation	4378.04	11500.13	4637.54	2999.27	3651.64	2746.62
	Minimum	405.11	2049.38	893.18	361.74	274.90	528.63
	Maximum	13911.95	29811.33	16970.39	10271.55	12315.57	7854.32
	25	4799.36	2749.98	4974.78	3572.71	684.39	641.91
Percentiles	50	9222.21	15899.38	8395.88	4957.14	2230.63	1397.25
	75	10432.77	26086.70	12638.03	7658.42	4981.83	4453.39

※"N" denotes no consideration of standard remuneration; "Y" denotes consideration of standard remuneration

Fig. 13 Reasonable expenses requested by plaintiff distributed by whether standard remuneration was considered in damage awards for copyright infringement of literary works (Beijing Courts, CNY Adjusted to Base Year 2000)



It is unfair, however, to say that copyright holders were not adequately compensated in SR1 cases. SR1 cases had a smaller D.P.CH mean than SR0 cases only in Year Group 2003–04. In both Year Group 2007 and Year Group 2011–12, SR1 cases had a much bigger mean D.P.CH than SR0 cases (see Table 9, Fig. 15). In particular, in Year Group 2011–12, such a difference between SR1 and SR0 cases was significant at the level 0.05 (see Annex 6), and the D.P.CHs of nearly 75% of SRI cases

were greater than the lower limit of standard remuneration (see Table 9).[58]

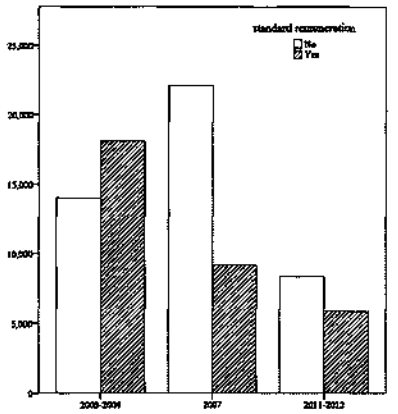
These findings suggest that the standard remuneration is serving as an important benchmark for calculating damages for copyright infringement of literary works. Regardless of the evidence, most copyright holders who prevail are at least awarded the "standard remuneration" as damages where such remuneration exists. Although this is not the case for all copyright infringement litigation, courts are doing so in a substantial number of cases.

Table 9 Damages per case (D.P.C.) and Damages per thousand Chinese (D.P.CH) for copyright infringement of literary works, grouped by whether standard remuneration was considered in damage awards (Beijing Courts, CNY Adjusted to Base Year 2000)

		Damages per Case						Damages per Thousand Chinese Characters					
	Year Group	2003-2004		2007		2011-2012		2003-2004		2007		2011-2012	
	Category*	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y
	Valid	13	8	15	15	24	14	11	5	6	12	15	12
	Missing							2	3	9	3	9	2
	Mean	14011	18090	21780	9228	8396	5903	283.41	141.14	57.99	109.83	32.05	90.70
	Std. Deviation	23294	15618	19407	11272	10735	5641	130.40	47.00	62.12	77.03	17.54	78.59
	Minimum	100	3975	3573	45	61	157	20.57	77.67	5.73	33.55	10.13	17.09
	Maximum	77123	43299	66988	38907	49585	19557	481.35	209.20	173.77	223.29	78.54	213.98
	25	546	4468	8039	2590	825	1095	216.64	104.77	14.83	38.67	20.62	22.78
Percentiles	50	4966	13497	17328	6610	5860	3927	271.01	137.19	35.09	80.39	28.05	49.89
	75	14901	34558	29553	9468	12735	9923	354.73	179.47	103.73	183.00	44.77	167.11

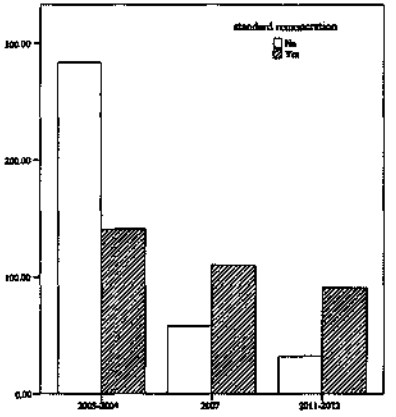
* "N" denotes no consideration of standard remuneration; "Y" denotes consideration of standard remuneration

Fig. 14 Damages awarded per case (D.P.CH) with and without considering standard remuneration (Beijing Courts, CNY Adjusted to Base Year 2000)



58 The lower limit of standard remuneration is 30 CNY per thousand Chinese characters. When adjusted to base year 2000, this amount is 23.56 CNY.

Fig. 15 Damages awarded per thousand Chinese characters (D.P.CH) with and without considering standard remuneration (Beijing Courts, CNY Adjusted to Base Year 2000)



CONCLUSION

Why are damages for copyright infringement so low in China? It is unlikely that this results from judicial inexperience, or a lack of a robust system of discovery of evidence. Judicial sophistication can improve judicial consistency and capability of assessing damages according to all types of evidence, including that which is circumstantial. Furthermore, judicial experience with rules for evidence may compensate for the lack of a robust system of evidence because courts may relax plaintiffs' burden of proof by drawing a presumption in their favor.

One important reason for low damages for copyright infringement in China could be the benchmark for using copyrighted works. Such a benchmark was not set by the market. Although most national regulations and measures for standard remuneration were abolished by the National Copyright Administration in March 2011 (NAC Order No. 9), this does not mean that the market is now the determinant. The royalties collected by Chinese collective management societies might well replace the "standard remuneration" and serve as the new benchmark for damages for copyright infringement of a far wider range of works.

There are signs already. Nearly all the rights that reside in a copyrighted work are subject to collective management, including the rights of reproduction, public performance, right of broadcasting, communicating through a network and so on.[59] For each right, the state will only license one society to manage it collectively. According to the draft third amend-

[59] State Council of P.R.China, Regulation for Collective Management of Copyright, State Council Decree No.429 art. 4 (Dec. 2004).

ment to Chinese Copyright Law that was recently circulated for public comment,[60] where a user who exploited a copyrighted work pursuant to an agreement with a collective management society is sued for infringement, the copyright holder of that work who is not a member of the society is only entitled to damages in the amount of the royalties collected by the society, subject only to limited exceptions.[61] In this event, courts are indeed required to award the royalties levied by the collective management society even though the society had no authority to license the infringing act in the first place. Therefore, the effort to enhance damages for copyright infringement should include having Chinese Copyright Societies set the market price for works under their collective management.

Annex 1 Hypothesis test for damage awards for copyright infringement (Beijing Courts, CNY Adjusted to Base Year 2000)

Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
55.651	2	523	.000

Multiple Comparisons: Tamhane Test

(I) Year	(J) Year	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
2003-2004	2007	8919.05801	7323.46094	.534	-8735.1191	26573.2351
	2011-2012	30462.70101*	6180.85598	.000	15455.7806	45469.6214
2007	2003-2004	-8919.05801	7323.46094	.534	-26573.2351	8735.1191
	2011-2012	21543.64300*	4213.73465	.000	11380.9904	31706.2956

*. The mean difference is significant at the 0.05 level.

60 National Copyright Administration, Amendment to Copyright Law of P.R. China (Second Draft) (July 2012), *available at* http://www.ncac.gov.cn/chinacopyright/contents/483/17753.html

61 According to Article 70 of Amendment to Copyright Law of P.R. China (Second Draft) (July 2012), the limitation on damages does not apply when the copyright holder proves that she declared that the infringed upon work should not be managed by copyright collective societies and that the user knew this, or that she informed the user of infringement and the latter continued the infringing act.

Annex 2 Hypothesis test for damages awarded per case (D.P.C) and damages per thousand characters (D.P.CH) for copyright infringement of literary works (Beijing Courts, CNY Adjusted to Base Year 2000)

Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
D.P.C	6.077	2	86	.003
D.P.CH	5.373	2	58	.007

Multiple Comparisons: Tamhane Test

Dependent Variable						95% Confidence Interval	
	(I) Year	(J) Year	Mean Difference (I-J)	Std. Error	Sig.	Lower Bound	Upper Bound
D.P.C	2003-2004	2007	61.196	5406.26	1.000	-13445	13568
		2011-2012	8087.097	4688.56	.264	-3923	20097
	2007	2003-2004	-61.196	5406.26	1.000	-13568	13445
		2011-2012	8025.901	3417.86	.069	-470	16522
D.P.CH	2003-2004	2007	146.39832*	36.70	.002	52.08	240.72
		2011-2012	180.83243*	34.22	.000	91.28	270.38
	2007	2003-2004	-146.39832*	36.70	.002	-240.72	-52.08
		2011-2012	34.43412	21.14	.303	-18.91	87.78

*. The mean difference is significant at the 0.05 level.

Annex 3 Hypothesis test for damages for copyright infringement of literary works in the physical environment and network environments (Beijing Courts, CNY Adjusted to Base Year 2000)

Group Statistics

		Infringement in physical environment		Infringement in network environment	
		2007	2011-2012	2007	2011-2012
N		15	14	15	24
Mean		10046.5899	4581.9657	20960.7140	9166.9596
Std. Deviation		10276.42624	5332.09169	20461.29887	10557.40871
Std. Error Mean		2653.36185	1425.06145	5283.08465	2155.02203

Independent Samples Test

			Equal variances assumed	Equal variances not assumed	Equal variances assumed	Equal variances not assumed
Levene's Test for Equality of Variances		F	4.493		9.587	
		Sig.	.043		.004	
t-test for Equality of Means		t	1.777	1.814	2.375	2.067
		df	27	21.330	37	18.731
		Sig. (2-tailed)	.087	.084	.023	.053
		Mean Difference	5464.62414	5464.62414	11793.75439	11793.75439
		Std. Error Difference	3074.44858	3011.83154	4966.62713	5705.70796
	95% Confidence Interval of the Difference	Lower	-843.62328	-792.92312	1730.41194	-160.05358
		Upper	11772.87156	11722.17141	21857.09684	23747.56237

Annex 4 Damages requested by plaintiff, damages awarded by court and the ratio of the latter to the former (allowed ratio) distributed by reasonable expenses requested by plaintiff (Beijing Courts, CNY Adjusted to Base Year 2000)

Reasonable expenses Rd.		<5000			5000-10000			>10000		
		Damages Requested	Damages Awarded	Allowed Ratio	Damages Requested	Damages Awarded	Allowed Ratio	Damages Requested	Damages Awarded	Allowed Ratio
Year Group 2003-2004	N	22	22	22	16	16	16	19	19	19
	Mean	128706	27497	0.388	189347	39498	0.272	258484	36082	0.199
	Std. Deviation	228232	52450	0.323	166798	38728	0.252	297187	60642	0.201
	Minimum	1273	258	0.015	31780	1192	0.012	11925	1192	0.006
	Maximum	976223	195645	1.000	496872	158999	0.951	1019275	248436	0.658
	Percentiles 25	4113	1048	0.125	70263	8331	0.096	59587	3975	0.067
	Percentiles 50	34302	8193	0.269	99312	33518	0.172	149062	21862	0.136
	Percentiles 75	154227	29794	0.680	293155	55367	0.381	298123	34759	0.308
Year Group 2007	N	17	17	17	7	7	7	12	12	12
	Mean	89740	10472	0.22	94911	18109	0.362	190733	71659	0.351
	Std. Deviation	101980	9111	0.18	83902	15068	0.361	121899	64057	0.214
	Minimum	893	357	0.01	14280	3573	0.025	26349	3662	0.139
	Maximum	317078	29475	0.49	263979	44659	1.000	321544	187567	0.654
	Percentiles 25	22329	3081	0.07	35727	6610	0.064	44659	11165	0.178
	Percentiles 50	44659	8932	0.10	71454	14280	0.240	238014	56866	0.234
	Percentiles 75	154922	17596	0.40	133977	32154	0.625	303212	122819	0.599
Year Group 2011-2012	N	136	136	136	22	22	22	16	16	16
	Mean	34656	9920	0.319	117972	17118	0.254	158676	30230	0.249
	Std. Deviation	50896	13131	0.258	170478	19606	0.238	187551	26505	0.219
	Minimum	2356	45	0.005	18125	157	0.002	12083	604	0.023
	Maximum	471259	78543	1.000	777577	78543	0.785	785432	78543	0.655
	Percentiles 25	11343	1571	0.124	30526	4437	0.048	64798	7968	0.058
	Percentiles 50	19867	4735	0.221	69479	11781	0.197	100873	19636	0.195
	Percentiles 75	37759	12291	0.454	110398	19179	0.427	150094	55522	0.327

Annex 5 Hypothesis test for damages requested by plaintiff, damages awarded by court and the ratio of the latter to the former (allowed ratio) grouped by reasonable expenses requested by plaintiff (R.E.R) (Beijing Courts, CNY Adjusted to Base Year 2000)

Year Group 2003-2004

	R.E.R[a]	N	Mean	Std. Deviation	Std. Error Mean
damages requested	<5000	22	128705.60	228231.71	48659.16
	>10000	19	258484.08	297187.43	68179.47
damages awarded	<5000	22	27497.42	52449.70	11182.31
	>10000	19	36082.24	60641.80	13912.18
allowed ratio	<5000	22	0.388	0.323	0.069
	>10000	19	0.199	0.201	0.046

		Levene's Test for E.V.		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
damages requested	E.V.[a] assumed	1.161	.288	-1.580	39	.122	-129778.48	82155.09	-295952.83	36395.87
	E.V. not assumed			-1.549	33.547	.131	-129778.48	83762.49	-300089.11	40532.15
damages awarded	E.V. assumed	.143	.707	-.486	39	.630	-8584.82	17657.10	-44299.69	27130.04
	E.V. not assumed			-.481	35.920	.633	-8584.82	17849.17	-44787.42	27617.77
allowed ratio	E.V. assumed	7.364	.010	2.213	39	.033	.189	.086	.016	.362
	E.V. not assumed			2.287	35.685	.028	.189	.083	.021	.357

Year Group 2007

	R.E.R	N	Mean	Std. Deviation	Std. Error Mean
damages requested	<5000	17	89740.20	101979.68	24733.71
	>10000	12	190733.44	121899.23	35189.28
damages awarded	<5000	17	10472.25	9110.73	2209.68
	>10000	12	71659.21	64057.28	18491.74
allowed ratio	<5000	17	.224	.180	.044
	>10000	12	.351	.214	.062

		Levene's Test for E.V.		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
damages requested	E.V. assumed	1.647	.210	-2.423	27	.022	-100993.24	41673.61	-186500.43	-15486.05
	E.V. not assumed			-2.348	21.025	.029	-100993.24	43012.11	-190435.21	-11551.27
damages awarded	E.V. assumed	36.510	.000	-3.912	27	.001	-61186.96	15640.98	-93279.59	-29094.32
	E.V. not assumed			-3.286	11.315	.007	-61186.96	18623.30	-102037.85	-20336.06
allowed ratio	E.V. assumed	1.467	.236	-1.725	27	.096	-.126	.073	-.277	.024
	E.V. not assumed			-1.673	21.087	.109	-.126	.076	-.283	.031

Year Group 2011-2012

	R.E.R	N	Mean	Std. Deviation	Std. Error Mean
damages requested	<5000	136	34656.09	50896.30	4364.32
	>10000	16	158675.63	187550.52	46887.63
damages awarded	<5000	136	9919.84	13130.81	1125.96
	>10000	16	30229.86	26505.34	6626.33
allowed ratio	<5000	136	0.319	0.258	0.022
	>10000	16	0.249	0.219	0.055

		Levene's Test for E.V.		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
damages requested	E.V. assumed	28.746	.000	-6.136	150	.000	-124919.56	20212.95	-163958.45	-84880.68
	E.V. not assumed			-2.634	15.261	.019	-124919.56	47090.31	-224240.92	-23798.20
damages awarded	E.V. assumed	23.491	.000	-5.118	150	.000	-20310.02	3968.24	-28150.89	-12469.16
	E.V. not assumed			-3.022	15.877	.008	-20310.02	6721.32	-34567.53	-6052.51
allowed ratio	E.V. assumed	.954	.330	1.047	150	.297	0.070	0.067	-0.062	0.203
	E.V. not assumed			1.189	20.201	.248	0.070	0.059	-0.053	0.194

[a] E.V. stands for equal variance.

Annex 6 Hypothesis test for damages per case (D.P.C) and damages per thousand Chinese Characters (D.P.CH) for copyright infringement of literary works, grouped by whether standard remuneration (S.R) was considered (Beijing Courts, CNY Adjusted to Base Year 2000)

Year Group 2003-2004

	S.R	N	Mean	Std. Deviation	Std. Error Mean
D.P.C	No	13	14010.9402	23293.54787	6460.46779
	Yes	8	18089.9488	15618.18978	5521.86395
D.P.C H[※]	No	11	283.4101	130.40046	39.31722
	Yes	5	141.1357	46.99969	21.01890

		Levene's Test for E.V		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
D.P.C	E.V. assumed	.352	.560	-.436	19	.667	-4079.00860	9345.75170	-23639.89172	15481.87453
	E.V. not assumed			-.480	18.767	.637	-4079.00860	8498.74258	-21882.02709	13724.00990
D.P.C H	E.V. assumed	2.690	.123	2.334	14	.035	142.27441	60.96687	11.51347	273.03535
	E.V. not assumed			3.191	13.729	.007	142.27441	44.58293	46.47630	238.07252

Year Group 2007

	S.R	N	Mean	Std. Deviation	Std. Error Mean
D.P.C	No	14	22097.5741	20098.66753	5371.59484
	Yes	15	9227.7239	11272.19811	2910.46904
D.P.C H	No	6	57.9888	62.12420	25.36210
	Yes	12	109.8322	77.03176	22.23715

		Levene's Test for E.V		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
D.P.C	E.V. assumed	4.940	.035	2.146	27	.041	12869.85025	5996.45591	566.13903	25173.56148
	E.V. not assumed			2.107	20.141	.048	12869.85025	6109.40760	131.58462	25608.11589
D.P.C H	E.V. assumed	2.606	.126	-1.426	16	.173	-51.84341	36.35113	-128.90436	25.21754
	E.V. not assumed			-1.537	12.330	.150	-51.84341	33.73021	-125.11752	21.43070

Year Group 2011-2012

	S.R	N	Mean	Std. Deviation	Std. Error Mean
D.P.C	No	24	8396.4025	10734.83831	2191.23969
	Yes	14	5902.9207	5640.64490	1507.52576
D.P.C H	No	15	32.0541	17.53939	4.52865
	Yes	12	90.6955	78.57924	22.68387

		Levene's Test for E.V.		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
D.P.C	E.V. assumed	1.517	.226	.804	36	.427	2493.48179	3102.55776	-3798.79699	8785.76056
	E.V. not assumed			.937	35.754	.355	2493.48179	2659.73031	-2901.99099	7888.95457
D.P.C H	E.V. assumed	71.982	.000	-2.817	25	.009	-58.64148	20.81756	-101.51605	-15.76691
	E.V. not assumed			-2.535	11.879	.026	-58.64148	23.13151	-109.09747	-8.18549

※ E.V.: Equality of Variance.

THE GOOGLE BOOK PROJECT: IS IT FAIR USE?

by BARRY SOOKMAN*

One of the most important, if not the most important, United States copyright cases decided in 2013 is *The Authors Guild, Inc. v Google, Inc.*[1] The case has now been appealed to the Second Circuit Court of Appeals by The Authors Guild. The case raises issues of such significance to copyright holders and online service providers that it may well end up as a landmark precedent of the U.S. Supreme Court (assuming of course that *certiorari* is granted).

In the *Authors Guild* case, Judge Chin ruled that the Google Book project did not infringe copyright as it was a fair use. There is no question that in the absence of fair use, Google would have been liable for copyright infringement. As found by Judge Chin, Google digitally reproduced millions of copyrighted books. It made digital copies available for its Library Project partners to download for any uses that did not violate copyright laws. Google also displayed snippets from the books to the public. It did all of this without license or permission from the copyright owners. Google's only defense was fair use.

Copyright laws mediate between providing incentives for authors to create and disseminate works while ensuring access to works by members of the public. It achieves these goals by providing authors (and others) with a series of exclusive rights which enable them to control the exploitation of their works and to reap economic benefits from their investments. The exclusive rights are subject to carefully crafted exceptions and limita-

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**Author's note: This article was first published on my blog in January 2014 before the decision of the Second Circuit in *Authors Guild, Inc. v. Hathitrust*, No. 12-4547-CV (2d Cir. June 10, 2014). That decision does not change the fundamental nature of the questions canvassed herein. Readers are encouraged to read the statement of Prof. June Besek to the U.S. House of Representatives Committee on the Judiciary Subcommittee on Courts, Intellectual Property, and the Internet, Hearing on "Fair Use" (Jan. 28, 2014) where similar questions are also posed about fair use.

1 No. 05 Civ. 8136, 2013 WL 6017130 (S.D.N.Y. Nov. 14, 2013).

tions which provide, for the most part, uncompensated uses by members of the public.

Fair use is one of these exceptions. The fair use doctrine is codified in § 107 of the Copyright Act, which provides in relevant part as follows:

> [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 Google Books case raises crucial questions about fair use and its place in the copyright framework in the online digital environment including the following questions:

- What is a "fair" treatment of digital rights in books and other works created in an analog age? Should their authors have a right to negotiate the details of their digital exploitation in a developing online technological marketplace?
- Should the transformative nature of digital technologies allow their makers to use fair use to trump exclusive rights?
- In a rapidly evolving technological age, what counts as truly 'transformative' and should new uses of works for commercial purposes be viewed as tending to be fair or unfair?
- Is it fair that online service providers should be able to reap all of the commercial benefits of new uses of works without paying for such uses?
- Should the courts or Congress make policy choices to address copyright issues presented by technological developments?

On appeal, the appellate court will need to consider whether Judge Chin erred in considering whether the Google Books project was a fair use. The following questions might well be raised in the appeals:

1. Did Judge Chin err by improperly imputing to Google the benefit of its customers' transformative and non-commercial activities in support of its own commercial purposes?
2. Did Judge Chin err in his interpretation of what is required for a use to be transformative?
3. Did Judge Chin err by failing to properly weigh the indirect commercial benefits Google realized by exploiting the works?

4. Did Judge Chin err by not considering the potential of the market for the works?
5. Did Judge Chin misapply the fair use framework by not analyzing each act of infringement separately?
6. Did Judge Chin err by not applying the policies underlying copyright and fair use and United States' copyright treaty obligations?

I explore each of these questions below. For those readers wanting more details, I refer you to the extensive footnote references.

QUESTION 1. DID JUDGE CHIN ERR BY IMPROPERLY IMPUTING TO GOOGLE THE BENEFIT OF ITS CUSTOMERS' TRANSFORMATIVE AND NON-COMMERCIAL ACTIVITIES IN SUPPORT OF ITS OWN COMMERCIAL PURPOSES?

The first fair use factor in the § 107 test is the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes. The essential inquiry under the first factor can be separated into two parts: whether the new work is transformative and the extent to which the use serves a commercial purpose.[2]

The Google Books project had two aspects: (1) digitizing copies of books for the purpose of making them available to the supplying libraries for their purposes; and (2) digitizing copies for indexing, creating a database, and providing snippets to the public in response to search queries.

Judge Chin's finding that Google's digitizing copies for the purpose of making them available to the supplying libraries was a fair use is summarized in the passage below:

> Similarly, Google is entitled to summary judgment with respect to plaintiffs' claims based on the copies of scanned books made available to libraries. Even assuming plaintiffs have demonstrated a prima facie case of copyright infringement, Google's actions constitute fair use here as well. Google provides the libraries with the technological means to make digital copies of books that they already own. The purpose of the library copies is to advance the libraries' lawful uses of the digitized books consistent with the copyright law. The libraries then use these digital copies in transformative ways. They create their own full-text searchable indices of books, maintain copies for purposes of preservation, and make copies available to print-disabled individuals, expanding access for them in unprecedented ways. Google's actions in providing the libraries with the ability to engage in activities that advance the arts and sciences constitute fair use.[3]

As can be seen from the above passage, Google's only activities in relation to this aspect of the project were to provide libraries with digital

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[2] Bouchat v. Baltimore Ravens, Ltd, P'ship, 619 F.3d 301 (4th Cir. 2010).

[3] *Authors Guild*, 2013 WL 6017130 at *10.

copies of books. There was no claim that these digital copies themselves were transformative. Nor could they be as a mere conversion of text into a different format, though useful, is not transformative.[4]

Judge Chin's only finding in relation to the first aspect of the project was that the use of the copies by the libraries gave them a capability to engage in uses that were fair. However, under well-established law, commercial for-profit enterprises have not been able to stand in the shoes of their customers who make non-profit or non-commercial uses and to claim the benefit of their transformative non-commercial activities.[5] This transposition of purpose has been rejected in numerous situations including:

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[4] Infinity Broad. Corp. v. Kirkwood, 150 F.3d 104, 108, n.2 (2d Cir. 1998) ("Kirkwood points out that he changes the format of the broadcasts so that they are available by telephone rather than radio. However, as we recognized in *Texaco, Inc.*, 60 F.3d at 923, (and as Kirkwood admits in his brief on appeal) a change of format, though useful, is not technically a transformation."); *Am. Geophysical v. Texaco, Inc.*, 60 F.3d 913, 923 (2d Cir. 1994) ("The 'transformative use' concept is pertinent to a court's investigation under the first factor because it assesses the value generated by the secondary use and the means by which such value is generated. To the extent that the secondary use involves merely an untransformed duplication, the value generated by the secondary use is little or nothing more than the value that inheres in the original. Rather than making some contribution of new intellectual value and thereby fostering the advancement of the arts and sciences, an untransformed copy is likely to be used simply for the same intrinsic purpose as the original, thereby providing limited justification for a finding of fair use."); *see also Assoc. Press v. Meltwater U.S. Holdings, Inc.*, 931 F. Supp. 2d 537, 551 (S.D.N.Y. 2013) (A "'use of copyrighted material that merely repackages or republishes the original is unlikely to be deemed a fair use'" and a 'change of format, though useful' is not transformative." (citing *Infinity Broad. Corp.*, 150 F.3d at 108).

[5] Zomba Enters., Inc. v. Panorama Records, Inc., 491 F.3d 574, 582 (6th Cir. 2007) (Panorama's primary argument was that their karaoke packages, which copied music "encourage creativity, and often commentary" among their end-users, and accordingly qualify as "transformative works." The court rejected the argument stating: "More importantly though, the end-user's utilization of the product is largely irrelevant; instead, the focus is on whether alleged infringer's use is transformative and/or commercial." *Id.*); Leadsinger, Inc. v. BMG Music Publ'g, 512 F.3d 522 (9th Cir. 2008) (Leadsinger, a karaoke device manufacturer, filed a complaint for declaratory judgment against music publishers claiming that it was entitled to print or display song lyrics in real time with song recordings in its karaoke devices. It claimed that its purpose was fair because its users used the devices to learn song lyrics. This was rejected by the court stating: "Though Leadsinger alleges that its use of lyrics helps consumers to understand the song lyrics and that 'the words facilitate parental control over objectionable song words,' 'the ultimate use to which the customer puts [a copyrighted work] is irrelevant'" *L.A. News Serv. v. Tullo*, 973 F.2d 791, 797 (9th Cir. 1992); *see* Harper & Row Publishers, 471 U.S. at 562, 105 S. Ct. 2218 ("The crux of the

- The course pack and copyshop cases such as *Princeton University Press v. Michigan Document Services*[6] and *Basic Books, Inc. v.*

profit/non-profit distinction is . . . whether the [vendor] stands to profit from exploitation of the copyrighted material without paying the customary price."); *Zomba Enters.*, 491 F.3d at 582-83 ("[T]he enduser's utilization of the product is largely irrelevant. . . ."). Leadsinger's basic purpose remains a commercial one — to sell its karaoke device for profit. And commercial use of copyrighted material is "presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. of Am.*, 464 U.S. at 451, 104 S.Ct. 774."); Fox Broad. Co., Inc. v. Dish Network, L.C.C., 905 F. Supp. 2d 1088 (C.D. Cal. 2012), *aff'd*, 723 F.3d 1067 (9th Cir. 2013) (Dish makes copies of TV programming to provide its AutoHop feature to provide a high-quality commercial skipping product. The court concluded these uses were not transformative because "they do not alter their originals 'with new expression, meaning, or message.' *Campbell*, 510 U.S. at 579, 114 S.Ct. 1164." *Id.* at 1104. The fact that consumers ultimately use AutoHop in conjunction with PTAT for private home use, a fair use under Sony, does not render the intermediate copies themselves a fair use as well. *See* Los Angeles News Serv. v. Tullo, 973 F.2d 791, 797 (9th Cir. 1992) (emphasizing that the defendant's unauthorized commercial copying was not necessarily a fair use merely because his clients used the copies for "research, scholarship, and private study," which themselves are fair uses).

[6] In *Princeton University Press v. Michigan Document Services, Inc.*, 99 F.3d 1381 (6th Cir. 1996), the defendant, Michigan Document Services, a commercial copyshop reproduced substantial segments of copyrighted works of scholarship, bound the copies into "coursepacks," and sold the course packs to students for use in fulfilling reading assignments given by professors at the University of Michigan. The copyshop argued that its use was fair, inter alia, by claiming that the uses were transformative and that it could stand in the shoes of its customers whose uses were non-commercial and likely a fair use. The court rejected the contention that the verbatim copying, even when juxtaposed with excerpts from other books could be transformative. It also rejected the claim that the copyshop could claim its use was non-commercial merely because its customers use was non-commercial, relying on the text written by William Patry, *Fair Use in Copyright Law*:

> It is true that the use to which the materials are put by the students who purchase the coursepacks is noncommercial in nature. But the use of the materials by the students is not the use that the publishers are challenging. What the publishers are challenging is the duplication of copyrighted materials for sale by a for-profit corporation that has decided to maximize its profits — and give itself a competitive edge over other copyshops — by declining to pay the royalties requested by the holders of the copyrights.
>
> The defendants' use of excerpts from the books at issue here was no less commercial in character than was The Nation magazine's use of copyrighted material in Harper & Row, where publication of a short article containing excerpts from the still unpublished manuscript of a book by President Ford was held to be an unfair use. Like the students who purchased unauthorized coursepacks, the purchasers of The Nation did not put the contents of the magazine to commercial use — but that did not

Kinko's Graphic Corp.,[7] which looked only to the purposes of the copyshops and rejected attempts to characterize the purpose and character of the students' research and study as theirs.[8]

- The news clipping services cases where the commercial copiers' defense of fair use was rejected because client uses of the clipping for research, scholarship or private study were deemed irrelevant. Cases where fair use was rejected on this basis nclude *Los Angeles News Service v. Tullo*,[9] *Los Angeles News Service v. Reuters*

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stop the Supreme Court from characterizing the defendant's use of the excerpts as "a publication [that] was commercial as opposed to nonprofit. . . ." Harper & Row, 471 U.S. at 562, 105 S.Ct. at 2231. . . .

The defendants argue that the copying at issue here would be considered "nonprofit educational" if done by the students or professors themselves. . . .

As to the proposition that it would be fair use for the students or professors to make their own copies, the issue is by no means free from doubt. We need not decide this question, however, for the fact is that the copying complained of here was performed on a profit-making basis by a commercial enterprise. And "[t]he courts have . . . properly rejected attempts by for-profit users to stand in the shoes of their customers making nonprofit or noncommercial uses."

Patry, Fair Use in Copyright Law, at 420 n. 34. As the House Judiciary Committee stated in its report on the 1976 legislation:

"[I]t would not be possible for a non-profit institution, by means of contractual arrangements with a commercial copying enterprise, to authorize the enterprise to carry out copying and distribution functions that would be exempt if conducted by the non-profit institution itself." H.R.Rep. No. 1476, 94th Cong., 2d Sess. at 74 (1976), U.S. Code Cong. & Admin. News 5659, 5687-88.

Princeton Univ. Press v. Mich. Doc. Servs., Inc., 99 F.3d 1381, 1386, 1389 (6th Cir. 1996).

[7] In *Basic Books, Inc. v. Kinko's Graphic Corp.*, 758 F. Supp. 1522 (S.D.N.Y 1991), publishers sued Kinko's for copying excerpts from books without permission. The court rejected the fair use defense concluding that: "The use of the Kinko's packets, in the hands of the students, was no doubt educational. However, the use in the hands of Kinko's employees is commercial. Kinko's claims that its copying was educational and, therefore, qualifies as a fair use. Kinko's fails to persuade us of this distinction." *Id.* at 1531.

[8] *See also* Blackwell Publ'g, Inc. v. Excel Research Group, LLC, 661 F. Supp. 2d 786 (E.D. Mich. 2009).

[9] 973 F.2d 791 (9th Cir. 1992). The court noted:

Los Angeles News Service ("LANS") records newsworthy events on videotape and licenses television stations and networks to use all or segments of the unedited ("raw") footage in edited broadcast news stories. Audio Video Reporting Services ("AVRS") provides a video "news clipping" service. It monitors television news programs, recorded them on videotape and sold copies of all or segments of the tapes to interested individuals and businesses.

Television,[10] *Associated Press v. Meltwater U.S. Holdings,*

LANS videotaped the sites of an airplane crash and a train wreck and licensed certain Los Angeles-area television stations to use them on news programs. AVRS made video recordings of these news programs, which included portions of LANS's footage, and marketed the recordings. *Id.* at 792.

AVRS argued that the purpose of its use was fair because its clients used the tapes for "research, scholarship and private study," and therefore AVRS's use must be considered fair in light of *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). The Ninth Circuit characterized the use as commercial by focusing only on the purpose of AVRS and not its customers. It noted:

> Unlike the claim against the VTR distributors involved in Sony, LANS's claim against AVRS is not that AVRS is vicariously liable for alleged infringements by its customers but that it is directly liable for its own infringements. The difference is crucial: Under Sony, a VTR owner who tapes a copyrighted movie broadcast over a public television station to watch at home at a later time is protected by the fair use doctrine, but a VTR owner who tapes the movie to sell copies to others without the copyright owner's consent is subject to a range of civil and criminal sanctions. . . . The fact that the VTR owner's customer buys the tape to watch the movie at home at a convenient time will not shield the VTR owner from liability; the ultimate use to which the customer puts the tape is irrelevant, as is the use AVRS's customers make of the tapes AVRS sells. . . .
>
> AVRS's purposes are "unabashedly commercial." *Pacific & S. Co., Inc. v. Duncan* ("*Duncan*"), 744 F.2d 1490, 1496 (11th Cir. 1984) ("Of course, every commercial exchange of goods and services involves both the giving of the good or service and the taking of the purchase price. The fact that [the defendant] focuses on the giving rather than the taking cannot hide the fact that profit is its primary motive for making the exchange.").

Id. at 797-98

[10] 149 F.3d 987 (9th Cir. 1998). Here, the TV news agency Reuters obtained video tape copies of LANS footage and transmitted it to subscribers who rebroadcast the footage. The court found that the transmission of unedited copies not to be transformative. Further, it found Reuters's use to be an unfair commercial use and re-iterated that whether its use was a fair use was a distinct question from whether its subscribers' broadcasts of the works were fair.

> Although defendants' service does have a news reporting purpose, its use of the works was not very transformative. Reuters copies footage and transmits it to news reporting organizations; Reuters does not explain the footage, edit the content of the footage, or include editorial comment. "Although such transformative use is not absolutely necessary for a finding of fair use, . . . 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." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579, 114 S.Ct. 1164, 127 L.Ed.2d 500 (1994) (citations omitted).

Inc.,[11] and other cases.[12]

Reuters used the works for a commercial purpose, providing the works to other news reporting organizations in exchange for an annual fee. While a commercial use does not by itself preclude a defense of fair use, "every commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 451, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984). Further, "[t]he crux of the profit/non-profit distinction is . . . whether the user stands to profit from exploitation of the copyrighted material without paying the customary price." *Harper & Row*, 471 U.S. at 562, 105 S.Ct. 2218. LANS normally charges customers for the privilege of copying portions of its works. The district court did not err in finding that this factor weighed in favor of LANS.

Id. at 993-94.

[11] 931 F. Supp. 2d 537 (S.D.N.Y, March 21, 2013). In *Meltwater*, an electronic news clipping service provider contended that the purpose of its use was fair, inter alia, because its business relates to news reporting and research. The court rejected the claim, noting that its customers performed the reporting and research.

Nor is Meltwater's taking of copyrighted material more defensible because its business relates to news reporting and research — two of the purposes of the fair use doctrine captured in the statute's preamble. The news reporting and research upon which Meltwater relies was not done by Meltwater but by AP; the copyrighted material that Meltwater has taken is the news reporting and research that AP labored to create. . . .

While commercial Internet news clipping services like Meltwater perform an important function for their clients, the public interest in the existence of such commercial enterprise does not outweigh the strong public interest in the enforcement of the copyright laws or justify allowing Meltwater to free ride on the costly news gathering and coverage work performed by other organizations. Moreover, permitting Meltwater to avoid paying licensing fees gives it an unwarranted advantage over its competitors who do pay licensing fees.

Id. at 552-53.

The court added that:

Based on the undisputed facts in this record, Meltwater provides the online equivalent to the traditional news clipping service. Indeed, Meltwater has described itself as adding "game-changing technology for the traditional press clipping market." There is nothing transformative about that function. *See, e.g., Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc.*, 342 F.3d 191, 199 (3d Cir. 2003) (clip previews of movies); *Nihon*, 166 F.3d at 72 (abstracts of news articles); *Infinity Broadcast Corp.*, 150 F.3d at 108 (radio monitoring service); *Los Angeles News Service v. Tullo*, 973 F.2d 791, 797, 799 (9th Cir. 1992) (video news clipping service.); *Pacific and Southern Co., Inc. v. Duncan*, 744 F.2d 1490, 1496 (11th Cir. 1984) (TV news clipping service).

Id. at 556.

[12] Pacific & S. Co., Inc. v. Duncan, 744 F.2d 1490, 1496 (11th Cir. 1984), *cert. denied*, 471 U.S. 1004 (1985) ("The purpose and character of TV News

- Retransmission of broadcasts for purposes other than those intended by the originating broadcaster such as in *Infinity Broadcast Corp. v. Kirkwood.*[13]

Clips' use of WXIA's work heavily influences our decision in this case. TV News Clips copies and distributes the broadcast for unabashedly commercial reasons despite the fact that its customers buy the tapes for personal use. The district court characterized TV News Clips as a "full-fledged commercial operation." 572 F.Supp. at 1189 n. 1. TV News Clips denies that its activities have a commercial purpose; instead, it says that its purpose is "private news reporting," meant to provide the public with a record of news reports. Of course, every commercial exchange of goods and services involves both the giving of the good or service and the taking of the purchase price. The fact that TV News Clips focuses on the giving rather than the taking cannot hide the fact that profit is its primary motive for making the exchange."); Georgia Television Co. v. TV News Clips of Atlanta, Inc., 718 F. Supp. 939 (N.D. Ga. 1989) (TV News Clips, was a commercial enterprise that videotaped television news programs, a practice known as news monitoring, and edited the news videotapes for its customers, to provide a news clipping service. They argued that their operation was consistent with the videotaping for personal use that the Supreme Court approved in *Sony Corporation of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984) and that they were merely agents for individuals or corporations whose home videotaping for personal, noncommercial use was authorized by the Sony decision. The court rejected this characterization of the purpose stating that defendants' videotaping WSB-TV broadcasts is for a commercial purpose and that TV News Clips is a commercial operation.).

13 150 F.3d 104 (2d Cir.1998). Here, the operator of the broadcaster CBS Radio, claimed infringement against a service that enabled subscribers (for a fee) to listen over the telephone to contemporaneous radio broadcasts in remote cities, including broadcasts by Infinity-owned stations. Kirkwood argued that the purpose of the use was fair because its customers used the broadcast for information rather than entertainment purposes. The Second Circuit rejected the claim that the change in the format or the difference in purpose of the transmissions was a transformation stating that "difference in purpose is not quite the same thing as transformation, and Campbell instructs that transformativeness is the critical inquiry under this factor." *Id.* at 108. The court agreed with the district court, which had found "Kirkwood's retransmissions leave the character of the original broadcasts unchanged. There is neither new expression, new meaning nor new message." 965 F.Supp. at 557. In short, there is no transformation." *Id.* The Second Circuit also expressly rejected the argument that any transformative use of the broadcasts by Kirkwood's customers was relevant to whether Kirkwood's own transmissions were transformative stating:

> Kirkwood argues that Dial-Up's users transform the broadcasts by using them for their factual, not entertainment, content. However, it is Kirkwood's own retransmission of the broadcasts, not the acts of his end-users, that is at issue here and all Kirkwood does is sell access to unaltered radio broadcasts.
>
> *Id.*

- The preview cases in which courts rejected arguments that focused on the character and purpose of the customer uses. Examples are *United States v. American Society of Composers, Authors and Publishers*,[14] and *Video Pipeline, Inc. v. Buena Vista Home Entertainment, Inc.*[15]

This long line of cases was summarized by William Patry, Google's Senior Copyright Counsel, in *The Fair Use Privilege in Copyright Law*, where he stated "The courts have also properly rejected attempts by for-profit users to stand in the shoes of their customers making nonprofit or noncommercial uses."[16]

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[14] 599 F. Supp. 2d 415 (S.D.N.Y. 2009). In this case, the dispute was over whether ASCAP had the right to collect royalties for previews containing clips of music. The court rejected the argument that by providing previews it was engaging in a fair use activity that its customers might be engaging in stating: "By contrast, applicant's use of previews, for the purpose of allowing its customers to sample a ringtone or ringback tone before purchasing it, cannot fairly be described as 'criticism, comment, news reporting, teaching . . . scholarship, or research.' 17 U.S.C. § 107." *Id.* at 425.

[15] 342 F.3d 191, 199 (3d Cir. 2003) (clip previews of movies).

[16] WILLIAM PATRY, THE FAIR USE PRIVILEGE IN COPYRIGHT LAW 420 n.34 (2d ed. 1995). According to William Patry:

> In exonerating the Sony Corporation from a claim of contributory infringement for marketing its Betamax video cassette recorder to consumers in order to permit them to tape copyrighted works, the Supreme Court relied on the absence of direct infringement due to its finding that consumers' taping was fair use. Subsequent to the Sony decision, other defendants have attempted to expand dramatically the Court's ruling to excuse their direct unauthorized reproduction and sale of copies to consumers. These defendants assert that because the ultimate use by consumers allegedly is for noncommercial purposes, their use is also noncommercial.
>
> Most courts have fortunately rejected this argument. Commercial entities making unauthorized copies and selling those copies are engaged in commercial use regardless of whether the purchaser is a for-profit or non-profit institution or a consumer. As the Eleventh Circuit aptly observed in *Pacific & Southern Co. v. Duncan*:
>
> > Of course, every commercial exchange of goods or services involves both the giving of the good or service and the purchase price. The fact that [defendant] focuses on the giving rather than the taking cannot hide the fact that profit is its primary motive for making the exchange.
>
> By contrast, in *Lewis Galoob Toys, Inc. v. Nintendo of America, Inc.*, the Ninth Circuit distorted the first fair use factor for the benefit of a for-profit corporation marketing speed-up kits of popular home audiovisual games, by analyzing the corporation's use from the perspective of the consumer: "[A] family's use of the Game Genie for private home enjoyment must be characterized as a non-commercial, nonprofit activity. . . . Their use of the Game Genie . . . therefore is presumptively fair."

Judge Chin did not consider these authorities under the first factor as they applied to the library portion of the Google Book project. Nor did he apply this line of cases when assessing the balance of the Google Books functionality. In fact, throughout the opinion he did not differentiate the uses made by Google from those made by the service recipients when assessing the purpose and the character of the use factor.

In operating the service Google digitized books. It used the books to create a comprehensive word index of all scanned books. The index linked each word or phrase appearing in each book with all of the locations in the books in which that word or phrase was found. In response to search queries, Google used the copies of the books to display verbatim copies of extracts to users of the service.

Users of Google's service used the comprehensive index and snippets for a variety of purposes which Judge Chin found to have significant public benefits. Readers, scholars, researchers, and others used the service to find books, engage in data and text mining, and to obtain alerts to the existence of out of print books.

Judge Chin made no distinction between the activities undertaken by Google and those of users, taking them all together in assessing the purpose and character of the use under the first factor.[17] However, as Mr.

Whether a consumer's use of a commercially marketed product is non-commercial (and no use is, in any event, presumptively fair) does not change the status of the manufacturer's activity as commercial, nor give the commercial defendant any special advantage. More simply put, commercial users do not stand in the shoes of their customer or consumers. *Id.* at 432-33.

[17] This can be seen from the following portions of the decision where he addressed the purpose and character of the use factor.

> Google's use of the copyrighted works is highly transformative. Google Books digitizes books and transforms expressive text into a comprehensive word index that helps readers, scholars, researchers, and others find books. Google Books has become an important tool for libraries and librarians and cite-checkers as it helps to identify and find books. The use of book text to facilitate search through the display of snippets is transformative. *See Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1168 (9th Cir. 2007) (holding that use of works — "thumbnail images," including copyrighted photographs — to facilitate search was "transformative"); *Kelly v. Arriba Soft Corp.*, 336 F.3d 811 (9th Cir. 2003) (same); *see also Bill Graham Archives*, 448 F.3d at 609-11 (holding that display of images of posters in 480-page cultural history of the Grateful Dead was transformative, explaining that "[w]hile the small size [of the images of the posters] is sufficient to permit readers to recognize the historial significance of the posters, it is inadequate to offer more than a glimpse of their expressive value"). The display of snippets of text for search is similar to the display of thumbnail images of photographs for search or small images of concert posters for reference to past events, as

Patry observed in his text, it is questionable whether the eventual benefits of an end user are relevant to this portion of the § 107 test.

QUESTION II. DID JUDGE CHIN ERR IN HIS INTERPRETATION OF WHAT IS REQUIRED FOR A USE TO BE TRANSFORMATIVE?

The transformative analysis raises the question of justification for the use.[18] The transformative use principle was formulated by the Supreme Court in *Campbell* as follows:

> 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." § 107(1). This factor draws on Justice Story's formulation, "the nature and objects of the selections made." *Folsom v. Marsh*, 9 F. Cas., at 348. 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, see § 107. 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, *Folsom v. Marsh*, *supra*, at 348; accord, *Harper & Row*, *supra*, at 562 ("supplanting" the original), 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." Leval 1111. 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, *see, e. g.*, *Sony*, *supra*, at 478-480 (Blackmun, J.,

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> the snippets help users locate books and determine whether they may be of interest. Google Books thus uses words for a different purpose — it uses snippets of text to act as pointers directing users to a broad selection of books.
>
> Similarly, Google Books is also transformative in the sense that it has transformed book text into data for purposes of substantive research, including data mining and text mining in new areas, thereby opening up new fields of research. Words in books are being used in a way they have not been used before. Google Books has created something new in the use of book text — the frequency of words and trends in their usage provide substantive information.
>
> Google Books does not supersede or supplant books because it is not a tool to be used to read books. Instead, it "adds value to the original" and allows for "the creation of *new* information, new aesthetics, new insights and understandings." Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. at 1111. Hence, the use is transformative.

Authors Guild, Inc. v. Google, Inc., No. 05 Civ. 8136, 2013 WL 6017130 (S.D.N.Y. Nov. 14, 2013).

[18] *See* Pierre N. Leval, *Toward a Fair Use Standard*, 103 HARV. L. REV. 1105 (1990).

dissenting), 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.[19]

The scope of what uses are transformative has been the subject of conflicting and confusing case law[20] and has not yet been settled by the Supreme Court which only addressed the question in the context of parody.[21]

Since *Campbell*, some cases have required or found that more than a mere use of a work for a different purpose is required to make the use transformative.[22] The critical inquiry under the first factor is whether the

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[19] Campbell v. Acuff–Rose Music, Inc., 510 U.S. 569, 578-79 (1994).

[20] *See* Seltzer v. Green Day, Inc., 725 F.3d 1170 (9th Cir. 2013) ("A leading treatise on this topic has lamented the frequent misuse of the transformation test, complaining that it has become a conclusory label which is 'all things to all people.'. . . The plethora of cases addressing this topic means there is no shortage of language from other courts elucidating (or obfuscating) the meaning of transformation.").

[21] *See* Neil Weinstock Netanel, *Making Sense of Fair Use*, 15 LEWIS & CLARK L. REV. 715 (2011); Pamela Samuelson, *Unbundling Fair Uses*, 77 FORDHAM L. REV. 2537 (2009).

[22] Infinity Broad. Corp. v. Kirkwood, 150 F.3d 104 (2d Cir. 1994) (that "difference in purpose is not quite the same thing as transformation, and Campbell instructs that transformativeness is the critical inquiry under this factor."); Cariou v. Prince, 714 F.3d 694, 706 (2d Cir. 2013) ("The law imposes no requirement that a work comment on the original or its author in order to be considered transformative, and a secondary work may constitute a fair use even if it serves some purpose other than those (criticism, comment, news reporting, teaching, scholarship, and research) identified in the preamble to the statute. *Id.* at 577; *Harper & Row*, 471 U.S. at 561. Instead, as the Supreme Court as well as decisions from our court have emphasized, to qualify as a fair use, a new work generally must alter the original with "new expression, meaning, or message." *Campbell*, 510 U.S. at 579; *see also Blanch*, 467 F.3d at 253 (original must be employed 'in the creation of new information, new aesthetics, new insights and understandings' (quotation marks omitted)); *Castle Rock*, 150 F.3d at 142."); *UMG Recordings, Inc. v. MP3. Com, Inc.*, 92 F. Supp. 2d 349 (S.D.N.Y. 2000) ("Regarding the first factor — 'the purpose and character of the use' — defendant does not dispute that its purpose is commercial, for while subscribers to My.MP3.com are not currently charged a fee, defendant seeks to attract a sufficiently large subscription base to draw advertising and otherwise make a profit. Consideration of the first factor, however, also involves inquiring into whether the new use essentially repeats the old or whether, instead, it 'transforms' it by infusing it with new meaning, new understandings, or the like. *See, e.g., Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 579, 114 S.Ct. 1164, 127 L.Ed.2d 500 (1994); *Castle Rock*, 150 F.3d at 142; *See also* Pierre N. Leval, 'Toward a Fair Use Standard,' 103 *Harv. L. Rev.* 1105, 111 (1990). Here, although defendant recites that My.MP3.com provides a transformative "space shift" by which subscribers can enjoy the sound recordings contained on their CDs without lugging around the physical discs

allegedly infringing work "'merely supersedes' the original work 'or instead adds something new, with a further purpose or different character, altering the first with new meaning or message' [such as to create] 'new information, new aesthetics, new insights and understandings.'"[23]

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themselves, this is simply another way of saying that the unauthorized copies are being retransmitted in another medium — an insufficient basis for any legitimate claim of transformation, *See, e.g., Infinity Broadcast Corp. v. Kirkwood*, 150 F.3d 104, 108 (2d Cir. 1998) (rejecting the fair use defense by operator of a service that retransmitted copyrighted radio broadcasts over telephone lines); Los Angeles News Serv. v. Reuters Television Int'l *Ltd.*, 149 F.3d 987 (9th Cir. 1998) (rejecting the fair use defense where television news agencies copied copyrighted news footage and retransmitted it to news organizations), *cert. denied*, 525 U.S. 1141, 119 S.Ct. 1032, 143 L.Ed.2d 41 (1999); *see also* American Geophysical Union v. Texaco Inc., 60 F.3d 913, 923 (2d Cir.), *cert. dismissed*, 516 U.S. 1005, 116 S.Ct. 592, 133 L.Ed.2d 486 (1995); *Basic Books, Inc. v. Kinko's Graphics Corp.*, 758 F.Supp. 1522, 1530-31 (S.D.N.Y. 1991); *see generally* Leval, *supra*, at 1111 (repetition of copyrighted material that 'merely repackages or republishes the original' is unlikely to be deemed a fair use).; Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191 (3d Cir. 2003) ("Finally, we note that Video Pipeline's clip previews — to reiterate, approximately two-minute excerpts of full-length films with movie title and company trademark shown — do not add significantly to Disney's original expression. Video Pipeline itself asserts, and the District Court found, 192 F.Supp.2d at 337, that the clip previews 'involved no new creative ingenuity.'" The Court did recognize that deciding which scene or scenes to include in a clip preview requires some creative choice. *Id.* But as Video Pipeline disclaims the use of any creative ingenuity, we have no difficulty viewing those decisions as involving creativity only in a theoretical, and most narrow, sense. Hence, it is dubious what 'new expression, meaning, or message' Video Pipeline has brought to its copies. *Campbell*, 510 U.S. at 579, 114 S.Ct. 1164")."

[23] Castle Rock Entm't, Inc. v. Carol Publ'g Grp., Inc., 150 F.3d 132 (2d Cir. 1998); Seltzer v Green Day, Inc., 724 F.3d 1170, 1177 (9th Cir. 2013) ("Although the law in this area is splintered, as discussed above, our conclusion on transformation is generally in line with other appellate authority on transformative use. In the typical "non-transformative" case, the use is one which makes no alteration to the expressive content or message of the original work. *See, e.g., Monge*, 688 F.3d at 1176 (magazine publication of photos of secret wedding of celebrity was not transformative because it did not "alter[ ] the first [work] with new expression, meaning or message") (second alteration in original); Elvis Presley Enters., Inc. v. Passport Video, 349 F.3d 622, 629 (9th Cir. 2003) (use of copyrighted clips of Elvis's television appearances was not transformative when the clips were "played without much interruption, if any, . . . [and] serve[d] the same intrinsic entertainment value that is protected by Plaintiffs' copyrights."), overruled on other grounds as stated in *Flexible Lifeline Sys., Inc. v. Precision Lift, Inc.*, 654 F.3d 989, 995 (9th Cir. 2011) (per curiam)); L.A. News Serv. v. CBS Broad., Inc., 305 F.3d 924, 938 (9th Cir. 2002) ("Merely plucking the most visually arresting excerpt from LANS's nine minutes of footage cannot be said to have added anything new."), as amended 313 F.3d 1093 (9th

Some cases have taken a broader approach not considered in *Campbell* finding that using a work for a different purpose than the use made by the copyright owner can make that use transformative. A "transformative" use under these cases does not require that the secondary work transform the original work's expression to be transformative.[24] It can be one that copies or employs the quoted matter in a different manner or for a different purpose from the original.[25] Photocopying for use in a classroom is a classic example. The Ninth Circuit *Kelly v. Arriba Soft* case, which held that a use of a work posted on the Internet by a search engine was transformative, is such a case.[26] Another is *Perfect 10, Inc. v. Amazon.com*, in which the Ninth Circuit found Google's search engine transformative holding that "a search engine provides social benefit by incorporating an original work into a new work, namely, an electronic reference tool."[27]

Cir. 2002)); Ringgold v. Black Entm't Television, Inc., 126 F.3d 70, 79 (2d Cir. 1997) (use of a poster as decoration on a TV show not transformative because it was used for "precisely a central purpose for which it was created" and defendants had done nothing with the poster to add anything new).)"

[24] *Castle Rock Entm't, Inc.*, 150 F.3d at 142.

[25] AV *ex rel.* Vanderhye v. iParadigms, LLC, 562 F.3d 630 (4th Cir. 2009) ("Plaintiffs also argue that iParadigms' use of their works cannot be transformative because the archiving process does not add anything to the work — Turnitin merely stores the work unaltered and in its entirety. This argument is clearly misguided. The use of a copyrighted work need not alter or augment the work to be transformative in nature."); Assoc. Press v. Meltwater U.S. Holdings, 921 F. Supp. 2d 537, 556 (S.D.N.Y. 2013) ("By the same token, even though it could be said that a search engine merely 'repackages' the original work, *Infinity Broadcast Corp.*, 150 F.3d at 108 & n.2., and does not transform it in the sense of adding 'new expression, meaning or message,' Campbell, 510 U.S. at 579, that does not mean that its taking is ineligible for protection under the fair use defense. Where a defendant's use 'is plainly different from the original purpose' for which the work was created, that use may be transformative. Bill Graham Archives, 448 F.3d at 609 (approving reproduction of a small image of poster along a timeline in a biography).)"; Bouchat v. Baltimore Ravens, Ltd., P'ship, 737 F.3d 932 (4th Cir. 2013).

[26] Kelly v. Arriba Soft Corp., 336 F. 3d 811 (9th Cir. 2003) ("This case involves more than merely a retransmission of Kelly's images in a different medium. Arriba's use of the images serves a different function than Kelly's use — improving access to information on the internet versus artistic expression. Furthermore, it would be unlikely that anyone would use Arriba's thumbnails for illustrative or aesthetic purposes because enlarging them sacrifices their clarity. Because Arriba's use is not superseding Kelly's use but, rather, has created a different purpose for the images, Arriba's use is transformative.").

[27] 508 F.3d 1146, 1165 (9th Cir. 2007).

The lack of alteration of a work, however, makes the label "transformative use" a messy fit for the doctrine. The "transformative use" label is most apt when a secondary work created by an alleged infringer actually alters the content of a copyrighted work or incorporates that content in an altered way into a new work, such as a parody.[28]

An interpretation of the first factor that considers new digital uses of analog works "transformative" without any requirement that anything be added to the work itself, or that the work itself be transformed, has the potential to greatly expand the scope of the fair use exception. It risks according greater value to the "envelope" containing a creative work than to the creative work itself. Readers have a new way to engage with a copyrighted work, but no new content is added or subtracted in the Google Books model considered by Judge Chin — there is no actual transformation of the work or creation of a new copyright work from these uses.

A question for the appellate courts is whether *Campbell* contemplated that the concept of transformation requires adding something new, with a further purpose or different character, where the original work is altered with new expression, meaning, or message. If these factors are required, a mere use of an unaltered work for a different purpose may not be enough to establish a transformative use, even though the use might still be considered as tending to be fair. If such use is considered transformative or is otherwise weighted as tending to be fair, should such a use for a commercial purpose tend to be as fair as a use where the work is altered? Will it all depend on the circumstances?

Judge Chin found that books were used for different purposes than the uses made by the authors. However, he made no finding that the databases, indexes, or snippets which Google created were original in any copyright sense. Using its automated computer tools Google created an index. This was something new, but there was no finding that this was a

[28] Am. Inst. of Physics v. Schwegman Lundberg & Woessner, P.A., Civil No. 12–528, 2013 WL 4666330 (D. Minn. Aug. 30, 2013) ("This conclusion does not change merely because the 'copying' Schwegman engaged in did not alter the content of the Articles. That lack of alteration may make the label 'transformative use' a messy fit for Schwegman's use since the 'transformative use' label is most apt when a secondary work created by an alleged infringer actually alters the content of a copyrighted work or incorporates that content into a new work, such as a parody. *See, e.g.*, *Campbell*, 510 U.S. at 572–73 & 579–83 (describing how the rap group 2 Live Crew had used aspects of Roy Orbison's rock ballad 'Oh, Pretty Woman' in creating a parody of the original and analyzing the critical aspects of 2 Live Crew's new work). But reproduction of an original without any change can still qualify as a fair use when the use's purpose and character differs from the object of the original, such as photocopying for use in a classroom.").

new work or a new transformed work in which copyright might subsist. Rather, it would appear that the index was an inevitable outcome of the content of the books as scanned by the automated tools. Judge Chin also did not engage in any analysis to determine whether the index contained any new or original "expression, meaning, or message." If these elements are required for a transformative use, then the analysis of the Google Book project under the first factor could have been given a different weighting. Further, if a transformative use without alteration of the work should be weighed differently from where the work is altered, as in *Campbell*, then again the weighting under the first factor might have been different.

QUESTION III. DID JUDGE CHIN ERR BY FAILING TO PROPERLY WEIGH THE INDIRECT COMMERCIAL BENEFITS GOOGLE REALIZED BY EXPLOITING THE WORKS?

If and to the extent that Google's use of the scanned books is not considered to be transformative (such as where it made copies available for library partners), then the fact that Google scanned and used the books for a commercial purpose would weigh heavily against it.[29]

Even if Google's use is considered to be transformative, that would not be dispositive as its commercial use would still be a factor militating against a finding of fair use.[30] In his decision, Judge Chin gave very little weight to Google's for profit use of the books merely noting that it "tends to weigh against a finding of fair use."[31] He also discounted the benefits Google derived from the draw to its Web sites from the use of the Google books service, finding that Google Books serves "important educational purposes."[32]

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[29] Video Pipeline, Inc. v. Buena Vista Home Entm't, Inc., 342 F.3d 191 (3d Cir. 2003) ("[T]he District Court correctly concluded that Video Pipeline's clip previews lack any significant transformative quality. Thus, the commercial nature of the clip previews weighs more strongly against Video Pipeline's use. *Campbell*, 510 U.S. at 580, 114 S.Ct. 1164 (If 'the alleged infringer merely uses [the original work] 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.'").

[30] Campbell v. Acuff-Rose Music, Inc., 510 U.S. 569 (1994); Kelly v. Arriba Soft Corp., 336 F. 3d 811 (9th Cir. 2003).

[31] Authors Guild, Inc. v. Google Inc., at *8, No. 05 Civ. 8136, 2013 WL 6017130 (S.D.N.Y. Nov. 14, 2013).

[32] He stated the following:

> It is true, of course, as plaintiffs argue, that Google is a for-profit entity and Google Books is largely a commercial enterprise. The fact that a use is commercial "tends to weigh against a finding of fair use." *Harper*

A question for the appellate courts is whether Judge Chin misapplied the importance of Google's commercial use. His reasons almost write this explicit statutory consideration out of the statute.

In the *Sony Betamax* case, the majority of the Supreme Court stated that "If the Betamax were used to make copies for a commercial or profitmaking purpose, such use would presumptively be unfair."[33] In *Harper & Row*, the Supreme Court re-emphasized how important the commercial/non-profit distinction is stating:

> The fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use. "[E]very commercial use of copyrighted material is presumptively an unfair exploitation of the monopoly privilege that belongs to the owner of the copyright." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U. S., at 451. In arguing that the purpose of news reporting is not purely commercial, The Nation misses the point entirely. 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.[34]

In *Campbell*, the Court acknowledged that if a commercial factor had the force of a presumption of unfairness, that could render ineligible for fair use certain uses which Congress had clearly contemplated could be fair uses such as the specific illustrations in the statute. It therefore did away with the presumption.[35] But, *Campbell* did not make the nature and

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& Row, 471 U.S. at 562; *accord Campbell*, 510 U.S. at 585. On the other hand, fair use has been found even where a defendant benefitted commercially from the unlicensed use of copyrighted works. . . Here, Google does not sell the scans it has made of books for Google Books; it does not sell the snippets that it displays; and it does not run ads on the About the Book pages that contain snippets. It does not engage in the direct commercialization of copyrighted works. *See* 17 U.S.C. § 107(1). Google does, of course, benefit commercially in the sense that users are drawn to the Google websites by the ability to search Google Books. While this is a consideration to be acknowledged in weighing all the factors, even assuming Google's principal motivation is profit, the fact is that Google Books serves several important educational purposes.

Id. Google is a for-profit entity and Google Books is largely a commercial enterprise.

33 Sony Corp. of Am. v. Universal Studios, Inc., 464 U.S. 417, 449 (1984).

34 Harper & Row, Publishers v. Nation Enters., 471 U.S. 539, 562 (1985).

35 The Court stated:

> 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." As we explained in *Harper & Row*, Congress resisted attempts to narrow the ambit of this traditional enquiry by adopting catego-

objectives of the user irrelevant even when a use is transformative.[36] It also did not criticize the holding in *Harper & Row* that the crux of the profit/non-profit distinction is whether the user stands to profit from exploitation of the copyrighted material without paying, including by gaining revenues from the unauthorized copying of the work.[37]

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ries of presumptively fair use, and it urged courts to preserve the breadth of their traditionally ample view of the universe of relevant evidence. 471 U. S., at 561; House Report, p. 66. 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." *Harper & Row*, *supra*, at 592 (Brennan, J., dissenting). 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.". . .

Sony itself called for no hard evidentiary presumption. There, we emphasized the need for a "sensitive balancing of interests," 464 U. S., at 455, n. 40, noted that Congress had "eschewed a rigid, bright-line approach to fair use,. . .and stated that the commercial or nonprofit educational character of a work is "not conclusive. . .but rather a fact to be "weighed along with other[s] in fair use decisions," id., at 449, n. 32 (quoting House Report, p. 66). The Court of Appeals's elevation of one sentence from Sony to a per se rule thus runs as much counter to Sony itself as to the long common-law tradition of fair use adjudication. Rather, as we explained in *Harper & Row*, Sony stands for the proposition that the "fact that a publication was commercial as opposed to nonprofit is a separate factor that tends to weigh against a finding of fair use." 471 U. S., at 562. But that is all, and the fact that even the force of that tendency will vary with the context is a further reason against elevating commerciality to hard presumptive significance. The use, for example, of a copyrighted work to advertise a product, even in a parody, will be entitled to less indulgence under the first factor of the fair use enquiry than the sale of a parody for its own sake, let alone one performed a single time by students in school.

Campbell, 510 U.S. at 584-85.

[36] Am. Geophysical Union v. Texaco, Inc., 60 F.3d 913 (2d Cir. 1994).

[37] *Id.* at 890 ("Consistent with these principles, courts will not sustain a claimed defense of fair use when the secondary use can fairly be characterized as a form of 'commercial exploitation,' i.e., when the copier directly and exclusively acquires conspicuous financial rewards from its use of the copyrighted material. . . . Conversely, courts are more willing to find a secondary use fair when it produces a value that benefits the broader public interest. . . . The greater the private economic rewards reaped by the secondary user (to the exclusion of broader public benefits), the more likely the

Campbell did not give direction to the courts as to how to weigh the socially beneficial results of transformative conduct (which tends to weigh in favour of fair use) with allegedly infringing uses of works that are the core input and attraction of a commercial service like the Google Books project. Google's search services are offered to the public for free. However, these services are indirectly paid for through advertisements displayed at Google's sites. Indirect commercial benefits are generally assessed in the same manner as direct benefits and one might have thought these benefits would have weighed against a finding of fairness.[38] The opinion, however, treats the finding of transformation almost as a presumption that the commercial purpose is to be disregarded in assessing the fairness of the use. In doing so, the court effectively turned what had been a presumption of unfairness into a presumption of fairness. While it may be appropriate in some parody and other types of cases to discount the commercial purpose in assessing fairness, it is quite another thing to do so in all cases in which some transformative use is shown.

Although not considered in the opinion, Google's distribution of copies of each scanned book to the providing libraries would also be part of a commercial agreement in which the libraries supplied books in consideration of Google's promise to supply them with the scanned copies, something they previously did not have and which they could use productively. Judge Chin did not expressly weigh these commercial dealings in his assessment of the first factor. Given that the scanned copies made available

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first factor will favor the copyright holder and the less likely the use will be considered fair.").

[38] United States v. Am. Soc'y of Authors, Composers, and Publishers, 599 F. Supp. 2d 415, 425 n. 9 (S.D.N.Y. 2009) ("We address the commercial nature of applicant's use of previews below. Regarding the exploitation of copyrighted works for commercial gain, applicant asserts that 'the fact that [applicant] does not charge for previews is further evidence that [applicant]'s use is not exploitive of the copyrighted works as would be the case, for instance, if [applicant] were in the business of selling previews to others for direct financial gain.'. . . However, while applicant may not receive a direct financial gain by providing previews to its customers free of charge, '[applicant] admits that its use is indirectly commercial.'. . . This Court does not find the distinction between direct and indirect financial gain dispositive of a determination of whether applicant's deliberate use of copyrighted ASCAP music is exploitive."); Roy Export Co. Establishment of Vaduz, Liechtenstein v. Columbia Broad. Sys., Inc., 503 F. Supp. 1137, 1144 (S.D.N.Y. 1980), *aff'd*, 672 F.2d 1095 (2d Cir. 1982) ("Nor does CBS' emphasis on the unsponsored nature of the show establish that CBS did not use the films for commercial exploitation, since common experience suggests that CBS stood to gain at least indirect commercial benefit from the ratings boost which it had reason to hope would (and in fact did) result from the special.").

to libraries were not transformed in any way, should this use have been weighed heavily against Google?

The opinion also did not address the other uses or potential uses Google may employ the scanned books for, including to enhance the functionality of its services and for automated translation, optical character recognition, and voice recognition algorithms. These were referred to in the brief filed by The Authors Guild, but not mentioned in the opinion.

QUESTION IV. DID JUDGE CHIN ERR BY NOT CONSIDERING THE POTENTIAL OF THE MARKET FOR THE WORKS?

The fourth factor focuses on the effect of the use upon the potential market for or value of the copyrighted work. Fair use, when properly applied, is limited to copying by others which does not materially impair the marketability of the work which is copied. In *Harper & Row*, the Supreme Court stated that the effect on the market factor "is undoubtedly the single most important element of fair use." After *Campbell*, it remains an important factor in assessing whether the allegedly offending uses are fair.[39]

The inquiry of the effect on the market considers not only the harm of the activities of the user, but what the effects would be if the use should become widespread.[40] Effects upon the potential market for or value of the copyright work can be found where potential licensing revenues are lost, at least where such markets are traditional, reasonable, or likely to be developed.

Judge Chin's consideration of the fourth factor can be summarized easily. First, the authors did not show that the Google books project

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[39] *See* Dan Glover, *A Response to Professor Michael Geist's Clearing Up the Copyright Confusion*, BARRY SOOKMAN: COPYRIGHT, INTELLECTUAL PROPERTY, COPYRIGHT, COMPUTER, INTERNET, E-COMMERCE LAW (Jan. 9, 2011), http://www.barrysookman.com/2011/01/09/a-response-to-professor-michael-geist%E2%80%99s-clearing-up-the-copyright-confusion; Dan Glover, *Clearing Up Copyright Confusion*, BARRY SOOKMAN: COPYRIGHT, INTELLECTUAL PROPERTY, COPYRIGHT, COMPUTER, INTERNET, E-COMMERCE LAW (Feb. 22, 2011), http://www.barrysookman.com/2011/02/22/clearing-up-the-copyright-confusion-part-ii; Dan Glover, *Renewed Attacks on the "Effect on the Market" Factor*, BARRY SOOKMAN: COPYRIGHT, INTELLECTUAL PROPERTY, COPYRIGHT, COMPUTER, INTERNET, E-COMMERCE LAW (Mar. 9, 2012), http://www.barrysookman.com/2012/03/09/renewed-attacks-on-the-%E2%80%9Ceffect-on-the-market%E2%80%9D-factor; Dan Glover, *A Reply to William Patry*, BARRY SOOKMAN: COPYRIGHT, INTELLECTUAL PROPERTY, COPYRIGHT, COMPUTER, INTERNET, E-COMMERCE LAW (Mar. 19, 2012), http://www.barrysookman.com/2012/03/19/a-reply-to-william-patry/

[40] *See, e.g.*, Harper & Row Publishers v. Nation Enters., 471 U.S. 739 (1985).

would negatively impact the market for books. Second, the project will enhance the sales of books to the benefit of authors.[41]

Judge Chin did not address whether Google's service, or the widespread adoption of similar services, would undermine any potential for the development of a market including any market for collective licensing, something that has been recognized in the other fair use cases.[42] In addition, other cases have held that the fact a rights holder may benefit from an alleged infringement in some way is an irrelevant consideration. The alleged infringer's burden is to establish that it had not impaired the market or potential market for their works.[43]

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[41] Judge Chin stated:

> 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). Here, plaintiffs argue that Google Books will negatively impact the market for books and that Google's scans will serve as a "market replacement" for books. (Pl. Mem. at 41). It also argues that users could put in multiple searches, varying slightly the search terms, to access an entire book. (9/23/13 Tr. at 6).
>
> Neither suggestion makes sense. Google does not sell its scans, and the scans do not replace the books. While partner libraries have the ability to download a scan of a book from their collections, they owned the books already — they provided the original book to Google to scan. Nor is it likely that someone would take the time and energy to input countless searches to try and get enough snippets to comprise an entire book. Not only is that not possible as certain pages and snippets are blacklisted, the individual would have to have a copy of the book in his possession already to be able to piece the different snippets together in coherent fashion.
>
> To the contrary, a reasonable fact finder could only find that Google Books enhances the sales of books to the benefit of copyright holders. An important factor in the success of an individual title is whether it is discovered — whether potential readers learn of its existence. (Harris Decl. ¶ 7 (Doc. No. 1039)). Google Books provides a way for authors' works to become noticed, much like traditional in-store book displays. (Id. at ¶¶ 14–15). Indeed, both librarians and their patrons use Google Books to identify books to purchase. (Br. of Amici Curiae American Library Ass'n at 8). Many authors have noted that online browsing in general and Google Books in particular helps readers find their work, thus increasing their audiences. Further, Google provides convenient links to booksellers to make it easy for a reader to order a book. In this day and age of online shopping, there can be no doubt but that Google Books improves books sales.

Authors Guild, Inc. v. Google, Inc. *9-*10, No. 05 Civ. 8136, 2013 WL 6017130 (S.D.N.Y. Nov. 14, 2013).

[42] Am. Geophysical Union v. Texaco, Inc., 60 F.3d 913, 936 (2d Cir. 1994).

[43] Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417, 485 (1984) (Blackmun, J., dissenting) ("First, an infringer cannot prevail merely by demonstrating that the copyright holder suffered no net harm from the infringer's

QUESTION V. DID JUDGE CHIN MISAPPLY THE FAIR USE FRAMEWORK BY NOT ANALYZING EACH ACT OF INFRINGEMENT SEPARATELY?

Judge Chin's conclusion that the Google Books project was protected by fair use was premised on his overall assessment of the project. His analysis never condescended to examining specific aspects of the project or infringements with respect to specific works or even classes of works. His analysis essentially excuses all possible infringements by relying on the overall social benefits of the project. However, in other cases, judges have refused to allow one use that that meets the requirements of a fair use to excuse other infringing conduct that does not.[44] His approach raises questions about the following aspects of the opinion.

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action. Indeed, even a showing that the infringement has resulted in a net benefit to the copyright holder will not suffice. Rather, the infringer must demonstrate that he had not impaired the copyright holder's ability to demand compensation from (or to deny access to) any group who would otherwise be willing to pay to see or hear the copyrighted work."); *Campbell* ("Even favorable evidence, without more, is no guarantee of fairness. Judge Leval gives the example of the film producer's appropriation of a composer's previously unknown song that turns the song into a commercial success; the boon to the song does not make the film's simple copying fair."); Ringgold v. Black Entm't Television, Inc., 126 F.3d 70 (2d Cir. 1997) ("Even if the unauthorized use of plaintiff's work in the televised program might increase poster sales, that would not preclude her entitlement to a licensing fee. *See DC Comics*, 696 F.2d at 28.").

44 Bouchat v. Baltimore Ravens, Ltd., P'ship, 619 F.3d 301, 206 (4th Cir. 2010) ("This appeal arises from an action Bouchat filed to enjoin defendants' depictions of the copyrighted logo in season highlight films and in the Ravens corporate lobby. The district court found that defendants' depictions of the logo were a fair use and entered judgment against Bouchat. We reverse in part because defendants cannot establish a fair use defense for the depictions of the logo in the highlight films, where the logo use is non-transformative and commercial."); Assoc. Press v. Meltwater U.S. Holdings, Inc., 12 Civ. 1087 DLC, 2013 WL 1153979, at *16 (S.D.N.Y. Mar. 21, 2013) ("Finally, Meltwater seeks to defend its copying of the Registered Articles by pointing out that it used the content it takes from the Internet to also provide its subscribers with services like Dashboard Analytics. Meltwater argues that this use of the material constitutes a transformative use. This lawsuit does not challenge the display of any of Meltwater's analytics to its subscribers. AP has not argued that the analysis of its publicly available content through these tools violates it rights. The display of that analysis — whether it be a graphic display of geographic distribution of coverage or tone or any other variable included by Meltwater — is an entirely separate service, however, from the publishing of excerpts from copyrighted articles. The fact that Meltwater also offers a number of analysis tools does not render its copying and redistribution of article excerpts transformative.").

The Google Book project consisted of two conceptually different activities. (1) digitizing copies of books for the purpose of making them available to the supplying libraries for their purposes; and (2) digitizing copies of books for indexing, creating a database, and providing snippets to the public in response to search queries. Judge Chin assessed each of these activities together. As pointed out above, however, the purpose and character of the first aspect of the project might weigh heavily against Google because merely digitizing copies of books to give them to libraries is not transformative and there are a long line of cases that have refused to permit the copier to rely on the purposes of users to make out the fair use defense.

The assessment of the fairness of the use was also done without assessing the impacts on each work, even though separate copyrights exist in each work. It is possible that uses for some works may be fair, but uses for others may not be.

Judge Chin justified the overall fairness of the uses by adverting to specific types of books such as those that are out of print or falling apart. He also noted that the books spanned the universe of types including fiction and non-fiction. Assessment of fairness was based on both general advantages that could be gained through the service, as well as specific advantages that would apply to some books, but not others. Had he done an analysis by focusing on the fairness in relation to each of the particular infringements would he have arrived at the same result? Was he required to engage in a work by work analysis given that each work had a separate copyright? Could the fairness associated with scanning an out of print work justify scanning a new book still in print and being actively sold?

Judge Chin had at least two theoretical ways of approaching the fairness assessment. He could have assessed whether the practise or system of the Google Book's service was for a purpose that was fair or he could have assessed whether each such use was fair. Many test cases go forward with several typical examples of uses that judges specifically analyse. The recent case, *Cambridge University Press v. Becker*, which addressed the fair use status of e-reserves is a good example.[45] Judge Chin did not adopt this approach. In fact, his fair use assessment did not even consider the specific fair use factors associated with the three books of the representative plaintiffs in the case. Judge Chin implicitly chose the former approach of examining Google's practice or system as a whole, but his opinion does not contain any support in the case law for such an approach.[46] In fact,

[45] 863 F. Supp. 2d 1190 (N.D. Ga. 2012).

[46] In Canada, an organization seeking to rely on the fair dealing defense can satisfy that its purpose was fair either by showing that each dealing is fair, or that it had a practice or system in place that was fair. *See* CCH Canadian, Ltd. v. Law Soc'y of Upper Canada, [2004] 1 S.C.R. 339.

decisions dealing with class actions involving copyright, including the opinion of the Second Circuit Court of Appeals which vacated Judge Chin's decision to certify a class proceeding, suggest that the fair use defense is an individual defense which must be assessed on a case by case basis.[47]

QUESTION VI. DID JUDGE CHIN ERR BY NOT APPLYING THE POLICIES UNDERLYING COPYRIGHT AND FAIR USE AND UNITED STATES' COPYRIGHT TREATY OBLIGATIONS?

The Google Books case raises critical questions about how the fair use doctrine is to be applied when technological change makes it possible to make new uses of works originally published in traditional formats. If new uses of works are considered transformative without any requirement for the works to be adapted will this open up a floodgate of new business models where copyrights are used as the primary input without which the service cannot be provided but where the authors and owners receive none of the benefits from these new uses?

In *Eldred*, the U.S. Supreme Court explained that the economic philosophy behind the Copyright Clause is that rewarding authors for their creative labor and promoting progress redound to the public benefit by resulting in the proliferation of knowledge.

Fair use was traditionally defined as a privilege to use copyrighted material in a reasonable manner without consent. The author's consent to a reasonable use of copyrighted works had always been implied by the courts as a necessary incident of the constitutional policy of promoting the progress of science and the useful arts, since a prohibition of such use would inhibit subsequent authors from attempting to improve upon prior works and thus frustrate the very ends sought to be attained.[48] Fair use

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[47] Authors Guild, Inc. v. Google, Inc., 721 F.3d 132, 134 (2d Cir. 2013) ("*See, e.g.*, *FPX, LLC v. Google, Inc.*, 276 F.R.D. 543, 551 (E.D. Tex. 2011) (denying plaintiffs' request for class certification "because of the fact-specific inquiries the court would have to evaluate to address [defendants'] affirmative defenses [including fair use of trademarks]"); Vulcan Golf, LLC v. Google, Inc., 254 F.R.D. 521, 531 (N.D. Ill. 2008) ("The existence of affirmative defenses [such as fair use of trademarks] which require individual resolution can be considered as part of the court's analysis to determine whether individual issues predominate under Rule 23(b)(3)."); Football Ass'n Premier League Ltd. v. YouTube, Inc., at *2, No. 07 Civ. 3582 (LDS) (S.D.N.Y. 2013) ("Here to make resolutions which advance the litigation will require the court to determine, for each copyrighted work claimed to have been infringed, whether a copyright holder gave notices containing sufficient information to permit the service provider to identify and locate the infringing material so that it could be taken down. That requires individualized evidence. Further, the analysis required to determine 'fair use,' and other defenses, is necessarily specific to the individual case.").

[48] *See* Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539 (1985).

was intended to avoid rigid application of the copyright statute when, on occasion, it would stifle the very creativity which that law is designed to foster.[49] The privilege exists to satisfy the need in the area of copyright protections for "some opportunity for fair use of copyrighted materials . . . to fulfill copyright's very purpose, '[t]o promote the Progress of Science and useful Arts.'"[50]

The decision in *The Authors Guild* case arguably inverts these fundamental first principles in the context of new online uses of works published in traditional formats. Under Judge Chin's analysis, authors receive no rewards for their creative labors. Further, the decision has the potential to turn an exception premised on reasonable use, required "on occasion" and for "some opportunity" for fair use, into a rule that would effectively deprive authors of control over their works whenever a work is used in a new way, unless perhaps the new use harms the existing market for the work in its old form. It elevates fair use, an exception to infringement that provides no rewards or incentives to authors, over exclusive rights which do.

After considering all of the listed fair use factors, Judge Chin did an overall assessment of the fairness of the project and concluded that it was a fair use. His reasons included a finding that: "Google Books provides significant public benefits. It advances the progress of the arts and sciences, while maintaining respectful consideration for the rights of authors and other creative individuals, and without adversely impacting the rights of copyright holders."[51]

Judge Chin's statement that Google maintained "respectful consideration for the rights of authors and other creative individuals" raises the question as to the fairness of one of the largest and most profitable companies in the world unilaterally scanning and disseminating the contents of millions of authors' works for a profitable business purpose without according authors the respect of seeking consent or providing them with compensation for the new uses.

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[49] Eldred v. Ashcroft, 537 U.S. 186, 212 n.9 (2003) (Ginsburg, J.) ("'As we have explained, [t]he economic philosophy behind the [Copyright] [C]lause . . . 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.' Accordingly, copyright law celebrates the profit motive, recognizing that the incentive to profit from the exploitation of copyrights will redound to the public benefit by resulting in the proliferation of knowledge. The profit motive is the engine that ensures the progress of science. Rewarding authors for their creative labor and 'promot[ing] . . . Progress' are thus complementary . . . .") (citations omitted).

[50] Campbell v. Acuff-Rose Music, Inc, 510 U.S. 569, 575 (1994).

[51] Authors Guild, Inc. v. Google, Inc., at *10, No. 05 Civ. 8136, WL 2013 WL 6017130 (S.D.N.Y. Nov. 14, 2013).

If Google is entitled to rely on a fair use defence in this case, will the transformative nature of digital technologies inevitably incentivize other technology companies to develop new business models that use copyright as a main input for profitable businesses, without consent and payment? If the law develops in his way will fair use still be considered as merely a "privilege" to use works "on occasion" or will fair use become such a broad "user right" that it will diminish the scope of exclusive rights and authors' control over the use and exploitation of their works?[52]

The potential breadth of the fair use defense under Judge Chin's opinion also raises questions as to whether the interpretation of the fair use defense is consistent with United States' copyright treaty obligations. Under treaties such as the Berne Convention, TRIPs, and the WIPO Internet Treaties,[53] the United States agreed that exceptions and limitations to copyright would be subject to the Three-Step Test. The test has three conditions, each of which must be met for an exception to be permissible. It must be a "certain special case," "not conflict with a normal exploitation" of the work or other subject matter, and cannot unreasonably prejudice the legitimate interests of the author (under Berne and the WCT), rights holder (TRIPs), or the performer or of the producer of the phonogram (WPPT).[54]

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[52] Already, there are predictions by Public Knowledge that the decision will lead to the digitation of content of all types including news, image, video, audio, book, software, social media and other online materials for the creation of archives and search engines, all without compensation to copyright owners for the exploitation of these works.

[53] Berne Convention for the Protection of Literary and Artistic Works, adopted Sept. 9, 1886, S. TREATY DOC. No. 99-27, 1161 U.N.T.S. 3. ("Berne"); Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 ("TRIPs"); World Intellectual Property Organization Copyright Treaty, Dec. 20, 1996, 36 I.L.M. 65 (1997) ("WCT"); and the World Intellectual Property Organization Performances and Phonograms Treaty, Dec. 20, 1996, 36 I.L.M. 76 (1997) ("WPPT"). Together, the WCT and WPPT are known as the "WIPO Treaties."

[54] Berne, Article 9(2), states: "It shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author." TRIPs, Article 13, states: "Members shall confine limitations or exceptions to exclusive rights to certain special cases which do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the right holder."

WCT, Article 10, provides:

(1) Contracting Parties may, in their national legislation, provide for limitations of or exceptions to the rights granted to authors of literary and artistic works under this Treaty in certain special cases that do

The first step requires that an exception (including fair use) be a "certain special case" This condition imposes at least two requirements. The first is a predictability obligation that requires that the exception be clearly defined, known, and particularized. It must provide a sufficient degree of legal certainty. The second requirement is that an exception must be finite and limited in scope and application. The exception must be narrow in scope and reach and be specifically focused. It must be the opposite of non-special, i.e., it cannot be a normal case. Some experts argue the exception must also serve some specific and sound public policy objective, for example, public education, public security, freedom of expression, the needs of disabled persons, or the like.[55]

The "normal exploitation" condition covers a usage that the copyright owner would ordinarily expect or seek to exploit. It extends to all forms

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not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author. (2) Contracting Parties shall, when applying the Berne Convention, confine any limitations of or exceptions to rights provided for therein to certain special cases that do not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author.

Article 16, WPPT states:

(1) Contracting Parties may, in their national legislation, provide for the same kinds of limitations or exceptions with regard to the protection of performers and producers of phonograms as they provide for, in their national legislation, in connection with the protection of copyright in literary and artistic works. (2) Contracting Parties shall confine any limitations of or exceptions to rights provided for in this Treaty to certain special cases which do not conflict with a normal exploitation of the performance or phonogram and do not unreasonably prejudice the legitimate interests of the performer or of the producer of the phonogram.

[55] *See* MIHÁLY FICSOR, GUIDE TO THE COPYRIGHT AND RELATED RIGHTS TREATIES ADMINISTERED BY WIPO AND GLOSSARY OF COPYRIGHT AND RELATED RIGHTS TERMS (2003), MIHÁLY FICSOR, THE LAW OF COPYRIGHT AND THE INTERNET (2002), JÖRG REINBOTHE & SILKE VON LEWINSKI, THE WIPO TREATIES 1996 (2002), SAM RICKETSON & JANE C. GINSBURG, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION *and* Beyond (2006), MARTIN R. F. SENFTLEBEN, COPYRIGHT, LIMITATIONS, AND THE THREE-STEP TEST (2004), Barry Sookman, *The SAC Proposal for the Monetization of the File Sharing of Music in Canada: Does it Comply with Canada's International Treaty Obligations related to Copyright?*, 1 OSGOODE HALL REV. L. POL'Y 101 (2008), Barry B. Sookman & Daniel G.C. Glover, *Why Canada Should Not Adopt Fair Use*, 2 OSGOODE HALL REV. L. POL'Y 139 (2009), WTO PANEL REPORT ON UNITED STATES – SECTION 110(5) OF THE US COPYRIGHT ACT, (June 14, 2000) (WTO Doc. WT/DS160/R), WTO PANEL REPORT ON CANADA – PATENT PROTECTION OF PHARMACEUTICAL PRODUCTS, (Apr. 7, 2000) (WTO Doc. WT/DS114/R).

of exploiting a work which have, or are likely to acquire, considerable economic or practical importance. The exception must not undermine the market for the work; undermine the ways that right holders normally extract economic value from the right; or deprive rights holders of significant or tangible commercial gains.[56]

The third step prevents an exception from causing actual or potential economic detriment such as an unreasonable loss of income. It also extends to cover non-economic interests that are "justifiable" such as those supported by relevant public policies or other social norms that underlie the protection of exclusive rights and moral rights such as controlling uses of works. The "not unreasonably prejudice" wording imposes a requirement of proportionality that implies that there may be conditions placed on the usage that will make any prejudice that is caused "reasonable" such as where there is attribution or in some cases where there is compulsory licensing or a remuneration regime.[57]

As described above, in ruling that the Google Book project is covered by fair use Judge Chin made the following findings concerning how the fair use factors should be applied:

- In assessing the purpose and character of the use the purposes of the alleged infringer and service recipients can be taken into account. Commercial for profit enterprises like Google can stand in the shoes of their customers making non-profit or non-commercial uses to claim the benefit of their transformative non-commercial activities.
- In assessing the purpose and character of the use, no alteration of the work is required to make the use transformative. Further, once there is a finding of transformation without alteration, the commercial for profit motives of the service provider can be virtually overlooked.
- There is no requirement to assess whether a service provider's conduct may develop into one that could have considerable economic or practical importance to the copyright holder.
- In assessing the fairness of uses of works, the fairness of a particular dealing with a particular work acts to immunise from scrutiny other potential infringements including infringements of copyrights in other works.
- Authors and rights holders not only potentially lose control over how their works and other subject matter are used in the digital environment where there is a use for a different purpose than the purpose of the author or rights holder and no actual market harm

[56] *See* sources cited in *supra*, note 55.
[57] *See* sources cited in *supra*, note 55.

is shown, but also have no right to receive even reasonable compensation for the uses.

Judge Chin's interpretation of the fair use framework makes this exception from infringement ill-defined and broad in scope and reach. The breadth of the potential commercial uses and loss of control by rights holders also squarely raises the question as to whether there is unreasonable prejudice to the legitimate interests of authors and other rights holders. The legitimacy question is compounded by the approach Google took to going about the project. It was described by Judge Chin in a prior ruling as a "calculated disregard of authors' rights."[58] Google's Senior Copyright Counsel William Patry called it "chutzpadik" in a blog post published five days before the plaintiffs commenced their action against Google.[59]

No one disputes the social benefits of the Google Books project. They were highlighted by Judge Chin. Google Books is a service that uses works for novel purposes that overall increases their dissemination. But, the question for appellate courts will be whether massive unauthorized copying for a commercial purpose should escape infringement under a "robust" and "flexible" theory of fair use because the uses are new and thus "transformative" and socially beneficial.

The question is not whether projects like Google Books that have social benefits should be encouraged. It is whether authors that invested years of front-end efforts in creating copyrighted works, and to whom the Copyright Clause seeks to incentivize to continue to make such investments, should have the right to authorize these new uses. It is also, as Judge Chin himself noted in refusing to approve the proposed settlement, that Congress rather than the courts is better suited to decide how best to pursue the Copyright Clause's objectives,[60] and further that courts should

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[58] Authors Guild, Inc. v. Google Inc., 770 F. Supp. 2d 666, 679 (S.D.N.Y. 2011) ("As one objector put it: 'Google pursued its copyright project in calculated disregard of authors' rights. Its business plan was: 'So, sue me.'" (Objection of Robert M. Kunstadt to Proposed Settlement 3, ECF No. 74).").

[59] THE PATRY COPYRIGHT BLOG (Sept. 15, 2005), http://web.archive.org/web/20051214021801/http:/williampatry.blogspot.com/2005/09/scanning-documents.html, *summarized in* Devlin Hartline, *Google's "Chutzpadik" Book Scanning*, LAW THEORIES: A MOSTLY COPYRIGHT LAW BLOG (Nov. 16, 2013), http://lawtheories.com/?p=792.

[60] Authors Guild, Inc. v. Google Inc., 770 F. Supp. 2d 666, 677 (S.D.N.Y. 2011) ("The questions of who should be entrusted with guardianship over orphan books, under what terms, and with what safeguards are matters more appropriately decided by Congress than through an agreement among private, self-interested parties. Indeed, the Supreme Court has held that 'it 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, 123 S.Ct. 769, 154 L.Ed.2d 683 (2003); accord *Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 429, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984) ('[I]t is

encroach only reluctantly on Congress's legislative prerogative to address copyright issues presented by technological developments.[61]

See more at Barry Sookman, COPYRIGHT, INTELLECTUAL PROPERTY, COMPUTER, INTERNET, E-COMMERCE LAW, http://www.barrysookman.com/2014/01/05/the-google-book-project-is-it-fair-use/#sthash.UhVXiOE1.dpuf

Congress that has been assigned the task of defining the scope of the limited monopoly that should be granted to authors or to inventors in order to give the public appropriate access to their work product.')).")

61 *Id.* at 680 ("As alluded to above, the Copyright Clause of the Constitution grants Congress the power '[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 recognized that courts should encroach only reluctantly on Congress's legislative prerogative to address copyright issues presented by technological developments: 'Sound policy, as well as history, supports our consistent deference to Congress when major technological innovations alter the market for copyrighted materials.' Sony, 464 U.S. at 431, 104 S.Ct. 774.")."

COPYRIGHT DAMAGES IN CHINA

by YONG WAN*

Songjin Wu, a famous Chinese songwriter, won a copyright infringement case against one defendant in 2003 and was awarded 160,000 RMB (currently about $26,100 (U.S.) dollars);[1] however, he was only awarded a total 800 RMB (currently about $130 (U.S.) in a similar case in 2012, when he won a case against four defendants.[2]

In fact, this type of disparity demonstrates why the most relevant issue to copyright holders, especially foreign copyright holders, when considering copyright protection in China is the issue of damages.[3] Chinese courts are criticized for being too conservative and frequently arbitrary when awarding damages.[4] A report in 2012 revealed that the median copyright damages awarded by Chinese courts is about 15,413 RMB (currently about $2,510 (U.S.), and the judgments are generally not clear on how the damages were actually calculated.[5]

The goals of this article are: (1) to provide a coherent understanding of how the copyright damages provisions in Chinese Copyright Law developed; (2) to explain how Chinese judges calculate damages and why damages tend to be lower in China; and (3) to introduce the latest developments on the third revision of the Copyright Law and provide some modest proposals to improve the Chinese copyright damages system.

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1 Songjin Wu v. Guangzhou New Era Audiovisual Co., Ltd., Decision Document No. 133 (Yuegaofaminsanzhongzi [Guangdong High Ct.] 2002).

2 Songjin Wu v. Foshan Nanhai Xinhua Bookstore Co., Ltd., Decision Document No. 90 (Fonanfaminsichuzi [Foshan City Nanhai Dist. Ct. , Guangdong Province] 2012). The four defendants are all legal persons.

3 Jonathan M. W. W. Chu, *Something to Copy? A Critical and Comparative Review of Damages Assessment in Copyright Infringement Actions in China and England and Wales*, 34 EUR. INTELL. PROP. REV. 444, 444 (2012).

4 Kristina Sepetys & Alan Cox, *Intellectual Property Rights Protection in China: Litigation, Economic Damages and Case Strategies*, *in* ECONOMIC APPROACHES TO INTELLECTUAL PROPERTY: POLICY, LITIGATION AND MANAGEMENT 11.401, 11.407 (Gregory K. Leonard & Lauren J. Stiroh eds., 2005).

5 ZHONGNAN UNIVERSITY OF ECONOMICS AND LAW & PROTECTION AND COORDINATION DEPARTMENT OF STATE INTELLECTUAL PROPERTY OFFICE, AN EMPIRICAL STUDY OF DAMAGES IN INTELLECTUAL PROPERTY INFRINGEMENT CASES 5, 52, 81 (2012).

I. DEVELOPMENT OF COPYRIGHT DAMAGES PROVISION IN CHINESE COPYRIGHT LAW

A. 1990 Copyright Law

The People's Republic of China promulgated its first Copyright Law (1990 Copyright Law) on September 7, 1990, which entered into force on June 1 1991.[6] In the 1990 Copyright Law, there is no provision dealing with the method of calculation of copyright damages. Only two provisions enumerate a list of acts of infringement and mention that damages are one of the remedies for infringements of copyright.[7]

Generally speaking, China uses the civil law system[8] and intellectual property laws (including copyright law) are viewed as *lex specialis* to civil law.[9] Without specific provisions in the copyright law, Chinese courts adopted the basic principles of civil law to deal with the copyright damages issue. The Chinese civil law system accepts in principle the doctrine of

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[6] Copyright Law of the P. R. China (promulgated by the Standing Committee of the Nat'l People's Cong., Sept. 7, 1990), 144 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 3 (1990), *translated in* P. R. C. LAWS AND REGS. II-03-02-101 (Legislative Affairs Office of the State Council ed. 2001). Although the 1990 Copyright Law is the first Copyright statute of the People's Republic of China, there were three copyright statutes before the founding of the P. R. China, which were promulgated in 1910, 1915 and 1928 respectively. *See, e.g.*, SHOUKANG GUO, INTELLECTUAL PROPERTY LAW OF THE PEOPLE'S REPUBLIC OF CHINA 29-31 (1997); CHENGSI ZHENG & MICHAEL PENGLETON, COPYRIGHT LAW IN CHINA 17 (1991); LANPING WANG, JINDAI ZHONGGUO ZHUZUOQUAN FA DE CHENGZHANG [THE DEVELOPMENT OF THE MODERN CHINESE COPYRIGHT LAW] 191-93 (2006).

[7] These two provisions are Articles 45 and 46. Article 45 only applies to civil remedies and Article 46 applies to civil remedies and administrative remedies.

[8] *See, e.g.*, HANDONG WU ET AL., ZHISHICHANQUAN FA (INTELLECTUAL PROPERTY LAW) 27-28 (2009); KANGSHENG HU ET AL., ZHONGHUA RENMIN GONGHEGUO ZHUZUOQUANFA SHIYI [INTERPRETATIONS ON THE COPYRIGHT LAW OF THE P. R. CHINA] 41 (2002).

[9] Intellectual property rights are provided for in Section 3 of Chapter V of the General Principles of Civil Law, General Principles of Civil Law of the P. R. China [hereinafter Civil Law], 4 ZHONGHUA RENMIN GONGHEGUO QUANGUO RENMIN DAIBIAO DAHUI CHANGWU WEIYUANHUI GONGBAO 3 (1986); *translated in* P. R. C. LAWS AND REGS. II-01-00-101 (Legislative Affairs Office of the State Council ed. 2001). *Lex specialis* can be defined as a law of of "specific application." *See* Matt Meltzer, *Negotiating a Truce Between Humanitarian and Human Rights Principles in the Law of Armed Conflict*, 16 TOURO INT'L L. REV. 1, 12 n.54 (2013).

"full compensation,"[10] which aims to restore the injured party to the position that he/she was in before the infringement.[11]

1. *Measures to Determine Damages*

Although the 1990 Copyright Law is silent on how to determine damages, the 1982 Trademark Law established the rule that "the amount of damages shall be the amount of the profits that the infringer has earned, or the amount of the losses that the infringed has suffered, as a result of the infringement during the period of the infringement."[12] The question may arise as to whether there is a sequence or priority between the two measures? In 1985, the Supreme Court clarified that the trademark owner may freely choose between the two measures.[13]

2. *Measures of Calculating Patent Damages*

In 1992, the Supreme Court issued the judicial interpretation on patent cases proposing that the principle of patent damages, which stated that the actual losses sustained by the patentee, attributable to the infringement shall be reasonably compensated.[14] The Interpretation also proposed three measures to calculate patent damages:

> (i) The actual economic loss sustained by the patentee attributable to the infringement.[15]
> (ii) The total profit obtained by the infringer through the infringing act is taken as the amount of damages.[16]

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10 LIMING WANG ET AL., MINFA: QINQUAN XINGWEI FA [CIVIL LAW: TORT LAW] 561 (1993); PETER FENG, INTELLECTUAL PROPERTY IN CHINA 44 (2d ed. 2003); GENG ZHANG, ZHISHICHANQUAN MINSHI SUSONG YANJIU [STUDY ON IP CIVIL PROCEDURE RULES] 571, 2004.

11 QIAN WANG, ZHISHICHANQUAN FA JIAOCHENG [INTELLECTUAL PROPERTY LAW] 23 (3d ed. 2011).

12 Trademark Law of the P. R. China art. 39 (adopted at the 24th meeting of the Standing Committee of the Fifth National People's Congress, Aug. 23, 1982), 388 St. Council Gaz. 610 (1982).

13 Supreme Court, Reply Concerning How to Calculate Trademark Infringement Damages and Period of Infringement, 4 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 24 (1985).

14 Reply by the Supreme People's Court to Questions on the Hearing of Cases of Patent Dispute, 33 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 26 (1993), *translated in* 33 CHINA PAT. & TRADEMARKS 92 (1993).

15 The calculation method is as follows: the amount of the lost sales by the patentee as a result of the infringement multiplied by the profit per item of the patentee. *See id.*

16 The calculation method is as follows: the amount of total sales by the infringer multiplied by the profit per item of the infringer. *See supra* note 14.

(iii) A reasonable amount not lower than the fee for a licensed exploitation of the patent is taken as the amount of damages.[17]

With respect to the above three methods of calculation, the Court may select from and apply them according to the circumstances of the case.[18]

It should be noted that the judges who are responsible for dealing with copyright cases are always on the same tribunal as those judges who deal with trademark or patent infringement cases, even if they are not necessarily the same persons. In this regard, the Judicial Interpretation of the Supreme Court concerning the measures for assessing damages in trademark or patent infringements may have de facto influence on copyright cases. In practice, judges always refer to the Trademark Judicial Reply and Patent Judicial Answers for guidance in assessing copyright damages.[19] In fact, the Supreme Court recognized that the Judicial Interpretation on the computation of trademark or patent damages may apply to copyright cases.[20]

3. Guidelines by the NCAC

In 1994, the National Copyright Administration of China (NCAC) suggested the following measures for computing copyright damages in the "Reply to Request for Instruction as to How to Determine Damages for Infringement on Photographic Works and Other Works of Fine Arts."[21]

(1) Actual losses that the copyright holders suffered (the actual losses shall include reasonable expenses paid by the copyright holders for investigating and/or stopping infringing activities);
(2) Illegal gains that the infringer obtained; or
(3) Two to five times of the amount of reasonably anticipated remuneration for the copyright holders. For example, in the case of a book, two to five times of the amount of the author's remuneration standard stipulated by the State.[22]

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17 Reply by the Supreme People's Court to Questions on the Hearing of Cases of Patent Dispute, *supra* note 14.

18 *Id.*

19 PETER FENG, INTELLECTUAL PROPERTY IN CHINA 44 (2d ed. 2003); Xiaohai Liu, *Enforcement of Intellectual Property Rights in the People's Republic of China*, 32 IIC: INT'L REV. OF INTELL. PROP. & COMPETITION L. 141, 154 (2001).

20 Supreme People's Court, *Summary Minutes of IP Trial Tactics Conference on Nov. 14-18, 1997*, *in* JUDICIAL INTERPRETATIONS & THE QUERY AND REPLY 581, 587 (Supreme People's Court & Supreme People's Procuratorate ed., 2006).

21 Nat'l Copyright Admin. of China, Reply to Request for Instruction as to How to Determine Damages for Infringement on Photographic Works and Other Works of Fine Arts, Document Quanbanzi 64 (1994) [hereinafter Reply of NCAC].

22 *See* Nat'l Copyright Admin. of China, Provisional Regulations Governing Remuneration for Book Manuscripts (1990).

A controversial issue is whether the third measure shall be considered to be of a punitive nature. Some commentators hold that the answer was positive and questioned the validity of the third measure on the ground that the nature of damages shall be compensatory, not punitive.[23] Others are of the view that it was not punitive.[24] The latter interpretation seems more reasonable. Since the remuneration standards stipulated by the State were established several years ago and are generally very low, and the annual inflation rate in the past years was not low, two to five times of the amount of the author's remuneration standard stipulated by the State should not be considered as punitive, but should be viewed as compensatory. Otherwise, the actual damages cannot be recovered, which would be inconsistent with the principle of full compensation.

Although the Reply of the NCAC mentioned above was not binding on the courts,[25] some courts recognized that the measures in the Reply were acceptable, since they were not in conflict with the measures established by the courts.[26] In summary, before the 2001 Amendment of Copyright Law, Chinese courts had not established systematic and explicit measures to calculate copyright damages.

4. Legal Costs

The language of the Copyright Law did not explicitly evidence legislative intent to treat legal costs under the Copyright Law differently from costs authorized in other statutes. This means that the general rules of civil procedure law are applicable to copyright infringement cases. In this regard, the case acceptance fees[27] are to be borne by the losing party, or

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23 Yudong He et. al., *Zhishichanquan Yinru Chengfaxing Peichang Zhi Bian (Comments on the Introduction of Punitive Damages in Chinese IP System)*, 145 ZHISHICHANQUAN 54, 55 (2013).

24 *See, e.g.*, Lumin Zhang & Xuesong Zhang, *Zhuzuoquan Qinquan Sunhai Peichang Zeren De Queding [Determination of Copyright Damages]*, CCCL. http://www.civillaw.com.cn/Article/default.asp?id=21097 (last visited Aug. 17, 2013).

25 *See, e.g.*, Xinbao Zhang, *Minshi Shenpan Zhong Falv Shiyong Ruogan Wenti Tantao (Study on Issues Concerning the Application of Law in Civil Trials*, CCCL http://www.civillaw.com.cn/article/default.asp?id=49989 (last visited Aug. 17, 2013).

26 *See, e.g.*, Zuyi Zhou v. Xiamen Wanlida Elec. Co., Ltd., Decision Document No. 39 (Huerzhongzhichuzi [Shanghai 2d Interm. Ct.] 1998); Shanghai Sci. & Tech. Publ'g House v. China Bus. Publ'g House, Decision Document No. 26 (Huyizhongminwuzhichuzi [Shanghai 1st Interm. Ct.] 2003).

27 Measures for Litigation Fees Collected by Courts art. 5, 19 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 31 (1989) [hereinafter 1989 Measures].

In accordance with the 1989 Measures, "the fees for a property-related case shall be collected as per the following percentages according to the value or

shared by the plaintiff and defendant if both are found liable.[28] With re-

amount in dispute: (a) RMB 50 in a case where the claim does not exceed RMB 1000; (b) 4% for the portion exceeding RMB 1,000 but not exceeding RMB 50,000; (c) 3% for the portion exceeding RMB 50,000 but not exceeding RMB 100,000; (d) 2% for the portion exceeding RMB 100,000 but not exceeding RMB 200,000; (e) 1.5% for the portion exceeding RMB 200,000 but not exceeding RMB 500,000; (f) 1% for the portion exceeding RMB 500,000 but not exceeding RMB 1,000,000; (g) 0.5% for the portion exceeding RMB 1,000,000. (5) For a case of infringement upon the patent right, copyright or trademark right, RMB 50 to RMB 100 shall be collected. If there is monetary claim, the fees collection standard for property-related cases shall apply."

Measures for Litigation Fees Collection of 1989 as amended on June 19, 1999 and nullified by the Notice of the Supreme Court on Application of Measures for Payment of Litigation Fees on April 20, 2007 [hereinafter 2007 Measures]; *see* 128 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 13 (2007). In accordance with the 2007 Measures, "[a]cceptance fees shall be paid at the following rates: (1) In a property case, the acceptance fees shall be paid based on the amount or price of the claims at the following rates on an accumulation basis: (a) RMB 50 in a case where the claim does not exceed RMB 10,000; (b) 2. 5% for the portion exceeding RMB 10,000 but not exceeding RMB 100,000; (c) 2% for the portion exceeding RMB 100,000 but not exceeding RMB 200,000; (d) 1.5% for the portion exceeding RMB 200,000 but not exceeding RMB 500,000; (e) 1% for the portion exceeding RMB 500,000 but not exceeding RMB one million; (f) 0. 9% for the portion exceeding RMB one million but not exceeding RMB two million; (g) 0. 8% for the portion exceeding RMB two million but not exceeding RMB five million; (h) 0.7% for the portion exceeding RMB five million but not exceeding RMB ten million; (i) 0. 6% for the portion exceeding RMB ten million but not exceeding RMB twenty million; and (j) 0. 5% for the portion exceeding RMB twenty million.. . . (3) The acceptance fees in each civil case of intellectual property shall be from RMB 500 to 1,000 if there is no amount or price in dispute; otherwise the acceptance fees shall be paid at the rates for a property-related case." It should be noted that "the acceptance fee for an appealed property-related case shall be paid based on the part of the amount of the appeal," and the computation method is the same as the method mentioned above. *See* 2007 Measures, *supra* art. 17.

[28] 1989 Measures, *supra* note 27, art. 19(1).

gard to other costs paid to courts,[29] the specific amount borne by a plaintiff and defendant is determined by the court at its discretion.[30]

It should be noted that the recovery of attorney fees and expenses relating to investigating an infringement involve different rules, since they were paid to lawyers (not to courts). Before the 2001 Amendment of Copyright Law, in accordance with general rules of civil procedure law, attorney fees and investigation expenses had to be borne by each party.[31] This means that the prevailing party was not entitled to recover attorney fees or investigation expenses. As a consequence, there were always awards of damages less than the attorney fees and/or investigation expenses paid by copyright holders,[32] which resulted in no economic incentive to challenge an infringement through expensive litigation.

However, several foreign related copyright cases[33] litigated in the Beijing and Shanghai courts led the way in developing new measures for determining the costs of litigation, including such controversial matters as the prevailing party's attorney fees.[34] Since then, Chinese courts have awarded attorney fees in several cases, however, whether to award attorney fees and the standard of the amount of the award was at the discretion of the court.[35]

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29 Other legal costs include: (1) inquest, appraisal, announcement and/or translation fees (except for translation into local common ethnic languages); (2) transportation expenses, lodging expenses, living expenses and compensation for loss of working time incurred by the witnesses, expert witnesses and/or court interpreters on the date of court appearance specified by the court; (3) the application fee and actual expenses for litigation preservation; (4) actual costs incurred in the enforcement of judgments, rulings or mediation agreements; and (5) other required litigation costs as so deemed by a court. *See id.* arts. 2, 4.

30 *Id.* art. 19(3).

31 DIFENG XU ET AL., ZHISHICHANQUAN FA: ZHIDU, LILUN, ANLI, WENTI [INTELLECTUAL PROPERTY LAW: SYSTEM, THEORY, CASES & QUESTIONS] 265 (2d ed. 2011).

32 *See, e.g.*, Tsuburaya Procutions Co., Ltd. v. Shanghai Yuyuan Tourist Mart Co., Ltd., Decision Document No. 118 (Huyizhongzhichuzi [Shanghai 1st Interm. Ct.] 1999); Weihua Chen v. Chengdu Computer Bus. Info. Weekly, Decision Document No. 181 (Haizhichuzi [Beijing Haidian Dist. Ct.] 1999).

33 *See, e.g.*, 20th Century Fox Corp. v. Beijing Xianke Laser Market, Decision Document No. 62 (Yizhongzhichuzi [Beijing 1st Interm. Ct.] 1996); Walt Disney v. Beijing Publ'g House & Xinhua Bookstore Beijing Distrib. Ctr., Decision Document No. 22 (Gaozhizhongzi [Beijing High Ct.] 1999).

34 FENG, *supra* note 19, at 48.

35 *Id.*

B. 2001 Copyright Law

In 2001, ten years after the enactment of the 1990 Copyright Law, China amended the law[36] in order to bring the Chinese Copyright Law into compliance with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs)[37] and to pave the way for China's accession to the World Trade Organization (WTO).

Article 48 was added to clarify the measures of damages and introduce the statutory damages rule, which states:

> Anyone who infringes upon the copyright or a right related to the copyright shall compensate for the actual losses suffered by the right holder, or where the actual losses are difficult to calculate, pay damages on the basis of the unlawful gains of the infringer. The damages shall include the reasonable expenses paid by the right holders for stopping infringement activities.
>
> Where the actual losses of the right owner or the unlawful gains of the infringer cannot be determined, a court shall, in light of the circumstances of the infringement, award damages not exceeding RMB 500,000.

1. Three Measures of Calculating Copyright Damages

It is understood that Article 48 introduces three measures to determine copyright damages: (1) the copyright holder's actual losses; (2) the infringer's unlawful gains; and (3) statutory damages.

It should be noted that the 2000 Patent Amendment Act introduced an additional measure compared with the 2001 Copyright Law, which states: "[i]f it is difficult to determine the losses that the patentee has suffered or the profits that the infringer has earned, the amount may be assessed by reference to the appropriate multiple of the amount of the license fee of that patent under contractual license."[38] A question may arise as to whether the multiplier may be less than one. The answer is no, because the Supreme Court clarified that the multiple shall be one to three.[39] Some commentators interpreted this measure as punitive, since a

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[36] Copyright Law of the P. R. China of 7 September 1990 (amended Oct. 27, 2001) [hereinafter 2001 Copyright Law], 225 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 510 (2001), *translated* in 68 CHINA PAT. & TRADEMARKS 83 (2002)).

[37] Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, Legal Instruments-Results of the Uruguay Round, 33 I.L.M. 1125 (1994).

[38] 2000 Patent Amendment Act art. 60, 217 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 491 (2000), *translated in* 63 CHINA PAT. & TRADEMARKS 83 (1993).

[39] Certain Provisions of the Supreme People's Court on Issues Concerning Application of Law in Trying Cases Involving Patent Disputes art. 21, 72

court may award damages two-to-three times the amount of the established royalty.[40] However, others argue that it should not be regarded as punitive, but compensatory, since the amount of the established royalty may not recover the actual damages incurred by the right owner in some circumstances;[41] the measure of using a multiple of the established royalty is adopted in order to implement the principle of full compensation.[42] Because there was an animated and detailed debate about the nature of the measure and the necessity and validity of the inclusion of punitive damages during the preparatory work on the 2001 Amendment Act, the measure was not introduced in the 2001 Copyright Law.

It is of interest to note that the multiple damages provisions were introduced in the 2012 Copyright Law Draft Amendment Act (Draft). This new development and the application of the three measures by courts will be discussed in detail below.

2. Expenses for Stopping Infringing Activities

Article 48 of the Copyright Law permits: "the reasonable expenses that the right owner has paid to put a stop to the infringement" to be recovered. Questions may arise about what constitutes "reasonable expenses." Generally speaking, reasonable expenses include investigation fees, notary fees and attorney fees.[43] It should be noted that the Copyright Judicial Interpretation only provides for the recovery of appropriate attorney fees as part of the expenses under appropriate circumstances,[44] which means that the award of attorney fees is not mandatory.

It should be noted that the Copyright Law uses the expression "copyright holders," instead of "prevailing party." This means that only "(prevailing) copyright holders" are eligible for an award of attorney fees; if the copyright holders lose the case, it is understood that they may not be

Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 130 (2001).

40 *See* Chengsi Zheng, *Zhongguo Qinquanfa De Lilun Yu Wuqu* (*Misunderstandings and Progresses of Chinese Tort Law Theory*), 10 RENMIN SIFA 13, 14 (2000).

41 Patent Damages may include lost profits and lost royalties, and the amount of the established royalty does not cover the former part. *See* GUOBIN CUI, ZHUANLIFA: YUANLI YU ANLI [PATENT LAW: PRINCIPLES AND CASES] 637 (2012).

42 *See* XINTIAN YIN, ZHONGGUO ZHUANLIFA XIANGJIE [INTRODUCTION TO THE PATENT LAW OF CHINA] 736 (2011).

43 *See* Interpretation of the Supreme People's Court Concerning Some Issues Relating to Application of Law to Trial of Cases of Civil Dispute over Copyright art. 26 [hereinafter Copyright Judicial Interpretation], 80 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 186 (2002), *translated in* 72 CHINA PAT. & TRADEMARKS 79 (2003).

44 *See* Copyright Judicial Interpretation art. 26(2).

awarded attorney fees. Even if an accused infringer prevails, he/she is not entitled to an award of attorney fees. This discrimination should be eliminated, since the prospect of paying the accused infringer's attorney fees would deter copyright holders from seeking, through litigation, to extend their rights beyond their proper bounds. An award of attorney fees serves to penalize the losing party, as well as to compensate the prevailing party. All litigants should have equal access to the courts to vindicate their statutory rights. Of course, if the prevailing party principle is introduced, there may arise a difficult problem of determining who "the prevailing party" is, and the corresponding rules to determine should be well designed.

C. *2010 Copyright Law*

In 2010, the Copyright Law was revised[45] in order to implement the WTO panel report's recommendations.[46] The scope of this revision was limited: only one article was revised, one article was added, and the provisions on damages remained unchanged.

II. APPLICATION OF COPYRIGHT DAMAGES PROVISIONS BY CHINESE COURTS

A. *Requirement of Fault*

There are no general conditions for awarding damages in Chinese Copyright Law, which only enumerates a non-exhaustive list of specific

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[45] *See* 282 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 158 (2010).

[46] Peter K. Yu, *TRIPs Enforcement and Developing Countries*, 26 AM. U. INT'L L. REV. 727, 728 (2011). On April 10, 2007, the United States requested consultations with China concerning China's failure to protect and enforce intellectual property rights pursuant to the TRIPs Agreement. One of the claims by the United States is that Article 4 of the Copyright Law is inconsistent with the TRIPs Agreement. On August 13, 2007, after consultations between the two parties could not resolve the disputes, the United States requested that the Dispute Settlement Body (DSB) establish a panel. On January 26, 2009, the DSB released the panel report on China-Measures Affecting the Protection and Enforcement of Intellectual Property Rights, which found Article 4 of Chinese Copyright Law to be inconsistent with the TRIPs Agreement. On February 26, 2010, the Standing Committee of the National People's Congress passed the Amendment. For a detailed analysis of Article 4 of the 2001 Copyright Law and relevant arguments by China and the United States, see WORLD TRADE ORGANIZATION, CHINA-MEASURES AFFECTING THE PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS § 7.145-7.192 (WT/DS362/R) (Jan. 26, 2009), *available at* http://www.worldtradelaw.net/reports/wtopanelsfull/china-iprights(panel)(full).pdf; Peter K. Yu, *The TRIPs Enforcement Dispute*, 89 NEB. L. REV. 1047, 1096-101 (2010).

infringing acts.[47] In the absence of a specific provision in the Copyright Law, reference had to be made to the general rules of civil liability, which requires fault as a condition for claims for damages.[48] Unfortunately, neither the General Principles of Civil Law nor the Tort Liability Law has offered anything that will help explain what type of fault is required.[49] Despite the lack of a definition of fault, Chinese lawyers agree that fault includes intention and negligence.[50] This means that compensation for damages is awarded only for intentional or negligent copyright infringements.[51] If the infringer did not knowingly, or with reasonable grounds to know, engage in infringing activity, no damages can be awarded, but reimbursement of the infringer's illegal profits (unjust enrichment) is still possible.[52]

It should be noted that the requirement of fault is of little importance in practice, since Chinese courts generally do not require the plaintiff to sustain the burden of proving that infringement was committed intentionally or negligently. The plaintiff only needs to prove the mere infringe-

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47 *See* 2010 Copyright Law arts. 47, 48.

48 Dan Zhu (Chief Judge of IP Tribunal of Shanghai High Court), *Guocuo Rending Ji Qi Zhuzuoquan Qinquan Peichang Zeren [Determination of Fault and Copyright Damages Liability]*, 630 RENMIN SIFA 83, 85 (2013); SHOUKANG GUO ET AL., ZHISHICHANQUAN FA [INTELLECTUAL PROPERTY LAW] 101 (2002); QIAN WANG, *supra* note 11, at 23.

Article 1 of Guiding Opinions of the Beijing Higher People's Court on Determination of Damages for Copyright Infringement (hereinafter "Guiding Opinions of the Beijing High Court") confirms that fault is required for awarding damages. Although China adopts a two-tier trial system, there are four levels of courts in China: Basic courts, Intermediate Courts, High Courts and Supreme Court. A High Court is the highest court in a province (for example, Anhui Province, Hubei Province) or a municipality directly under the Central Government (Beijing, Chongqing, Shanghai and Tianjin). The Guiding Opinions of a High Court have no de jure binding effect, but de facto binding effect on the basic and intermediate courts and the High Court of the province or the municipality directly under the Central Government where the High Court is located. Generally speaking, fault is a condition for awarding damages in civil law countries. *See, e.g.*, German Copyright Law art. 97(2): "Authors, including of scientific editions (Article 70), photographers (Article 72) and performers (Article 73) may, if the infringement was *intentional or the result of negligence*, recover, as justice may require, a monetary indemnity for the injury caused to them even if no pecuniary loss has occurred." (emphasis added)

49 Mo Zhang, *Tort Liabilities and Torts Law: The New Frontier of Chinese Legal Horizon*, 10 RICHMOND J. GLOBAL L. & BUS. 415, 433 (2011).

50 *See, e.g.*, QIAN WANG, *supra* note 11, at 252; Mo Zhang, *id*, at 434.

51 See Guiding Opinions of the Beijing High Court, *supra* note 48, art. 1.

52 *See id* art. 3.

ment of copyright, and the defendant will be presumed to be at fault.[53] Of course, it is a rebuttable presumption.

B. Avoiding Double Recovery for Other Causes of Action

Claims for a double recovery by a plaintiff under both the Copyright Law and other legal theories, such as contract, have been denied.[54] When a party seeks to collect both damages for breach of a contract and for copyright infringement, the party will be required to elect one set of remedies.[55]

C. Three Measures of Calculating Damages

As mentioned above, the 2001/2010 Copyright Law provides three measures of calculating damages: actual losses, illegal gains and statutory damages.[56] From the text of the Copyright Law, it is clear that there is a fixed sequence for the three measures, since the provision uses the structure: "if A is difficult to determine, B may be used."[57] In practice, it is up to the court to decide whether or not actual losses or illegal gains can be determined.

Under some circumstances, actual losses are different from illegal gains. When both can be determined, and the illegal gains are higher than the actual losses, the copyright holder cannot choose the illegal gains standard, since the actual losses can be proven.[58] This approach is not advantageous for the copyright holder and it is suggested that copyright holders should be authorized to choose among the different measures.

It should be noted that recovery of actual losses and recovery of illegal gains are mutually exclusive in Chinese copyright law. This is different from the American Copyright Act, which states that: "the copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, *and any profits of the infringer* that are attributable to the infringement and are *not taken into account in computing the actual damages*."[59]

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[53] Dan Zhu, *supra* note 48, at 84.

[54] CHENGSI ZHENG, BANQUAN FA [COPYRIGHT LAW] 269-70 (2009).

[55] Contract Law of P. R. China art. 122, 207 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 104 (1999), *translated* in P. R. C. Laws & Regs. II-04-00-101 (2001).

[56] Copyright Law art. 48, 49.

[57] *Id.*

[58] China Business Publ'g House v. Shanghai Sci. & Tech. Publ'g House, Decision Document No. 87 (Hugaominsanzhizhongzi [Shanghai High Ct.] 2003); Guoen Liu v. Jilin Educ. Publ'g House, Decision Document No. 1459 (Gaominzhongzi [Beijing High Ct.] 2005).

[59] 17 U.S.C. § 504(b) (2012) (emphasis added).

1. The Copyright Holder's Actual Losses

The underlying principle in an award of damages is that of restoration. Therefore, the measure of actual losses is the most straightforward of the three measures used to calculate copyright damages. The Copyright Law does not define "actual losses." Instead, it is understood that the term has no special meaning in copyright law. Actual losses are the losses directly due to the infringement at the time of infringement.

a) Lost sales

If the infringer occupies the same market as the copyright holder, courts may employ lost sales as the method of damages.[60] However, since the defendant's marketing practices or prices may differ from the plaintiff's, it would be inaccurate for a court to count each sale made by the infringer as a sale lost to the copyright holder.[61] In practice, Chinese courts generally do not notice that point. For example, in *Shanghai Measuring & Drawing Institute v. Shanghai Chinaquest.com Co., Ltd.*, both the plaintiff and the defendant sold electronic maps; the price of the plaintiff's product was higher than that of the defendant's; however, the court found that every sale made by the defendant represented a sale that would have been made by the plaintiff.[62]

When the copyright holder establishes the number of sales that it lost because of the infringement, it can establish its actual damages by multiplying the number of lost sales by the "profit per item."[63] It is understood that the profit per item used shall be that of the plaintiff and not that of the infringer. However, a court permits the use of the profit per item of the defendant if it is difficult to obtain the profit per item of the plaintiff.[64]

It is not clear whether the term "profit" means "the historical profit" or "the profit that the plaintiff would have made on each sale had it made the sale." These two "profits" are not necessarily equal, since circumstances that have an influence over profits may have changed at the time of infringement. In a strict sense, the second profit should be the right choice. However, Chinese courts have generally adopted the historical

60 2 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT §14.1.1 (2013).

61 *Id.*

62 Shanghai Measuring & Drawing Inst. v.Shanghai Chinaquest.com Co., Ltd., Decision Document No. 25 (Hugaominsanzhizhongzi [Shanghai High Ct.] 2007).

63 Copyright Judicial Interpretation art. 24; Guiding Opinions of the Beijing High Court, *supra* note 48, arts. 7(4), (5).

64 Guiding Opinions of the Chongqing Higher People's Court on Certain Issues concerning Determination of Damages for Intellectual Property Infringement art. 5 [hereinafter Guiding Opinions of the Chongqing High Court].

profit figure.[65] In software infringement cases, courts always use the average market price of the infringed (i.e., authentic) software as the profit per unit.[66]

b) Lost license fees

If the infringer occupies a market that the copyright holder has not yet entered, courts usually use lost license fees as a measure of the plaintiff' actual damages.[67] Proof of a prior license or industry practice is very important, since an award of lost license fees may not be based on mere speculation.[68] In practice, courts will generally employ the negotiated license fee as the measure of the damages from the infringement if the copyright holder had licensed a third party or the infringer to use the copyrighted work.[69] It should be noted that the negotiated license fee shall be reasonable and proportionate. For example, in one case a court did not agree to consider the established license fee in foreign markets as the benchmark license fee in the Chinese market, and thus refused to adopt the foreign license fee as the measure of the damages for the infringement in China.[70] Another court refused to accept the negotiated licensee fee in the Chinese market between the plaintiff and the third party as the benchmark license fee because that was an exclusive license fee, which would be higher than the non-exclusive license fee.[71]

c) Price erosion damages

Infringement may drive down the copyrighted work's prices and lead to price erosion damages. Although both the Guiding Opinions of Beijing High Court and the Guiding Opinions of Chongqing High Court provide for price erosion claims by the copyright holder,[72] there is no successful case of which we are aware. The reason for the zero occurrence of suc-

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65 *See, e.g., Shanghai Measuring & Drawing Inst.*, Decision Document No. 25.

66 *See* Guiding Opinions of the Beijing High Court, *supra* note 48, art. 31(2); Adobe Sys., Inc. v. Chengdu Hanxiang Culture & Digital Tech. Co., Ltd., Decision Document No. 477 (Chengminchuzi [Chengdu Interm. Ct. of Sichuan Province] 2004).

67 GOLDSTEIN, *supra* note 60.

68 6 WILLIAM F. PATRY, PATRY ON COPYRIGHT § 22:109:50 (2013).

69 *See, e.g.*, Autodesk, Inc. v. Longfa Constr. & Decoration Eng'g Co., Ltd., Decision Document No. 6227 (Erzhongminchuzi [Beijing 2d Interm. Ct.] 2003).

70 Discreet Logic, Inc. v. Shanghai Zhongle Film & TV Co., Ltd., Decision Document No. 19, (Hugaominsanzhizhongzi [Shanghai High Ct.] 2004).

71 Beijing Ruixuetaoyuan Culture Commc'n Co., Ltd. v. Shanghai Juli Medial Tech. Co., Ltd., Decision Document No. 3848 (Yizhongminzhongzi [Beijing 1st Interm. Ct.] 2012).

72 Guiding Opinions of the Beijing High Court, *supra* note 48, art. 7(7); Guiding Opinions of the Chongqing High Court, *supra* note 64, art. 4(1).

cessful price erosion claims may be that: "analysis of causation on determining how prices moved historically and to predict how they would have moved in the but-for world can be very difficult."[73]

d) Summary

On one hand, few Chinese courts have adopted the measure of actual damages;[74] on the other hand, in those courts that have adopted such a measure, there have been several problems in application. One problem is not requiring the copyright holder to bear the burden of establishing with reasonable probability the existence of a causal connection between defendant's infringement and the holder's losses.[75] Of course, it is difficult for the copyright holder to prove the causation between infringement and losses. This is the reason why most copyright holders do not choose the method of actual damages, but prefer the method of statutory damages, since the latter avoids the difficulties of a precise assessment. In this regard, the system of statutory damages is very important for copyright holders seeking damages. (This issue will be discussed detail in the following part II. C. c.) The other problem is to misinterpret the "losses" as "lost revenues," instead of "lost profits." Judge Posner has correctly noted: "if you sell less of your product, you will have lower costs, and the cost savings is a gain that must be offset against the loss of revenues in computing actual damages."[76]

We are delighted to note that the problems mentioned above have been corrected in the Guiding Opinions rightly provided by Chongqing High Court, which clearly provide that "the copyright holder shall bear the burden of establishing the causal relationship between the infringement

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[73] RICHARD B. TROXEL & WILLIAM O. KERR, CALCULATING INTELLECTUAL PROPERTY DAMAGES 309 (2007).

[74] NING LIU, ZHISHICHANQUAN FA RUOGAN LILUN REDIAN WENTI TANTAO (RESEARCH ON SEVERAL HOT TOPICS IN THE INTELLECTUAL PROPERTY FIELD) 85 (2007).

[75] *See, e.g.*, Founder Group Co., Ltd. & Beijing Honglou Computer Sci. & Tech. Inst. v. Beijing Gaoshu Tianli Tech. Co., Ltd. & Beijing Gaoshu Tech. Co., Ltd., Decision Document No. 1949 Gaominzhongzi [Beijing High Ct.] 2002); Shanghai Measuring & Drawing Inst. v. Shanghai Chinaquest.com Co., Ltd., Decision Document No. 25 (Hugaominsanzhizhongzi, [Shanghai High Ct.] 2007); Wuhan Supresoft Co., Ltd. v. Wuhan Dida Spatial Info. Co., Ltd., Decision Document No. 23 (Eminsanzhongzi [Beijing 2d Interm. Ct.] 2008). In contrast, American courts require the copyright holder to bear such a burden. *See* 3 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT §14.02 [B][1] (2012).

[76] Taylor v. Meirick, 712 F.2d 1112, 1121 (7th Cir. 1983).

and his/her losses.[77] In addition, the actual losses are classified as lost profits.[78]

2. The Infringer's Illegal Gains

Illegal gains are only a secondary option and can only be claimed when actual damages cannot be calculated. When establishing an infringer's illegal gains, the general rule is that the copyright holder has the initial burden of proving a causal relationship between the copyright infringement and the infringer's gross revenues, and if the copyright holder can show this causation, the burden then shifts to the infringer to prove his/her deductible expenses. If the defendant fails to prove deductible expenses, the copyright holder will recover gross revenues.[79] It should be noted that the gross revenue must be related to the infringement, not unrelated revenues.[80] If the plaintiff merely obtained revenue figures from the financial statements in an infringer's annual report, it is not enough. The plaintiff still needs to prove these revenues are attributable to the infringement.[81] If the infringer only borrowed in part from the copyrighted work, and added other elements that it originated or took from the third party with permission or from the public domain, it would be inappropriate to allow the copyright holder to recover all of the infringer's profits.[82]

If a copyrighted work is used in an advertisement to promote sales of other non-infringing products, there is the issue of whether recovery may lie in the form of the profit on the non-infringing product earned by defendant through advertising? It is understood that proof of the causal relationship between an infringing act and the profits earned from sales of non-infringing goods will always be speculative, and courts have for this reason denied recovery of the infringer's profits.[83] In one case, where a real estate development company included a copyrighted photograph from an author in a post for its new apartments, the court denied a request from the author to award the company's profits, because the court found that

77 Guiding Opinions of the Chongqing High Court, *supra* note 64, art. 4(1).

78 *See id* art. 4(2).

79 *Id.* art. 7; Shanghai Character License Admin., Ltd. v. Feiyan Zhang et al., Decision Document No. 1938 (Rongminchuzi [Fuzhou Interm. Ct. of Fujian Province] 2009).

80 Guiding Opinions of the Chongqing Higher Court, *supra* note 64, art. 7.

81 See Ping Zeng & Xiang Zhou, *Zhishichanquan Sunhei Peichang Zeren Yanjiu (Study on IP Damages Liability)*, 106 ZHISHICHANQUAN 57, 61 (2008).

82 *See* Guoen Liu v. Jilin Educ. Press & China Acad. of Printing Tech., Decision Document No. 1615 Yizhongminchuzi (Beijing 1st Interm. Ct. 2005).

83 GOLDSTEIN, *supra* note 60, § 14.1.2.

there was no direct causal relationship between the infringing material and the sale of the apartments.[84]

It should be noted that the Beijing High Court has introduced an accounting approach to calculate illegal gains. Generally, the "operating profit" of the infringer may be regarded as illegal gains.[85] If the infringement is serious, the "sales profit" of the infringer may be considered as illegal gains.[86] If the infringement is minor, the "net profit" of the infringer may be counted as illegal gains.[87] The relevant accounting formulas are as follows:

> Sales profit = Net sales – Cost of goods sold
> [Net sales = Gross sales – (Customer Discounts, Returns, Allowances)];
> Operating Profit = Gross Profit – Total operating expenses;
> Net profit = Operating Profit – taxes – interest.[88]

3. Statutory Damages

The award of statutory damages is a way to avoid the difficulties of a precise assessment of actual losses or illegal gains. The Copyright Law of 2001/2010 allows an award of statutory damages less than 500,000 (RMB). Within that range, the court has discretion to award an amount considered just. It should be noted that the Copyright Law only sets the maximum limits for statutory damages, not minimum limits. However, a minimum level of statutory damages (500 RMB) was introduced in a Judicial Interpretation of Supreme Court in 2000,[89] but was abandoned by the 2003 revision.[90] It seems appropriate not to establish a minimum amount of statutory damages in the Copyright Law, because it can produce unfair or excessive awards under certain circumstances.[91]

a) The maximum level of statutory damages

The first question relating to the maximum level of statutory damages is whether they are mandatory. From the statutory language, this it is not

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[84] Xinfa Xie v. Shanghai Hetai Real Estate Dev., Ltd., Decision Document No. 262 (Huerzhongminwuzhichuzi [Beijing 2d Interm. Ct.] 2004).

[85] Guiding Opinions of the Beijing High Court, *supra* note 48, art 8(2).

[86] *Id.* art. 8(3).

[87] *Id.* art. 8(4).

[88] *See* QIAN WANG, *supra* note 11, at 254.

[89] Interpretation of Several Issues Relating to Application of Law to Trial of Cases of Dispute over Copyright on Computer Network art. 10, 69 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 26 (2000).

[90] Interpretation of Several Issues Relating to Application of Law to Trial of Cases of Dispute over Copyright on Computer Network, 88 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 8 (2004).

[91] Pamela Samuelson et al., *Statutory Damages: A Rarity in Copyright Laws Internationally, But for How Long?*, 61 J. COPYRIGHT SOC'Y 529 (2013).

clear, since the text does not use "may" nor "shall." Chinese courts are split on this issue. Some courts favor mandatory maximum limits, and believe that they should not be more than 500,000 RMB.[92] However, other courts take the opposite view.[93] It should be noted that the Supreme Court clarified in a judicial document that: "where evidence examined at trial is not sufficient to precisely ascertain the rights holder's actual losses or the infringer's illegal gains, and where relevant evidence indicates that such actual losses or illegal gains exceed the maximum level of statutory damages, the court shall award damages higher than the maximum amount."[94]

Another controversial issue concerning the maximum amount of statutory damages is whether the maximum limits (e.g., 500,000 RMB) cover costs and attorney's fees. One high court is of the view that the costs and attorney's fees are to be calculated separately from the maximum limits.[95] However, another high court has an opposite interpretation.[96] It is also ambiguous from the text whether the maximum level of statutory damages applies to each case, work or right. Because of this ambiguity, in practice, many copyright holders chose to bring multiple actions with respect to each infringed work in order to maximize the potential damages that can be recovered.[97]

In order to resolve the ambiguity about how the maximum limits should be applied, some courts have made clarifications. However, the opinions are inconsistent. The Beijing High Court is of the view that the

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92 *See, e.g.*, Guiding Opinions of the Anhui Higher People's Court on the Application of Statutory Damages in the Trial of Copyright, Trademark and Patent Infringement Cases art. 9 [hereinafter Guiding Opinions of Anhui High Court]; Guiding Opinions of the Jiangsu Higher People's Court on Certain Issues Relating to the Application of Statutory Damages in IP Infringement Cases art. 23 [hereinafter Guiding Opinions of the Jiangsu High Court].

93 Guiding Opinions of Chongqing High Court, *supra* note 64, art. 18; Guiding Opinions of the Shanghai Higher People's Court on Certain Issues Relating to the Application of Statutory Damages in IP Infringement Cases (for Trial Implementation), *supra* note 92, art. 1 [hereinafter Guiding Opinions of the Shanghai High Court].

94 Opinions of the Supreme Court on Certain Issues towards Ensuring that Trial of Intellectual Property Cases Serve the Overall Interest of China in the Current Economic Situation, point 16, 152 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 18 (2009).

95 Guiding Opinions of the Jiangsu High Court, *supra* note 92, art. 20.

96 Guiding Opinions of the Anhui High Court, *supra* note 92, art. 9.

97 Wenjie Tang, Banquan Qinquan Sunhai Peichang Erti [Two Issues in Copyright Damages], *available at* http://www.chinalawedu.com/news/20800/213/2005/12/li762623404419221500211330 5_180995.htm (last visited July 19, 2013).

maximum limits apply to each work.[98] The Jiangsu High Court supports the view that the maximum limits apply to each right.[99]

b) Relevant factors in determination of statutory damages

It is not generally clear how statutory damages are to be actually calculated, and they have always been criticized as "arbitrary and unprincipled."[100] Because of this, several high courts developed guidelines on what factors determine the amount of statutory damages. A non-exhaustive list of typically relevant factors follows. Although the courts look at different factors, some of the factors that are generally present in any infringement situation, are illustrated in the following Figure. These similarities highlight the fundamental factors when determining the amount of statutory damages that are shared across these high courts. They are: (1) category of the work; (2) degree of originality of the work; (3) reasonable established license fees; and (4) severity of infringement.

[98] Guiding Opinions of the Beijing High Court, *supra* note 48, art. 10.

[99] Guiding Opinions of the Jiangsu High Court, *supra* note 92, art. 15.

[100] *See, e.g.*, Tao Yang, *Wanshan Woguo Zhuzuoquan Qinquan Sunhai Peichang De Jisuan Fangfa* [*Improvement of The Calculation Measures of Damages in Chinese Copyright Law*], 8 SHIDAI FAXUE 74, 76 (2010); Yong Wang & Xueqing Shi, *Dianying Zuopin Xinxi Wangluo Chuanbo Quan Qinquan Sunhai Peichang Wenti Yanjiu* [*Study on Damages Related to The Infringement of Right of Communication Through the Information Network of Cinematographic Works*], *in* ZHISHICHANQUAN NIANKAN (2008) 142, 150 (Handong Wu ed., 2009).

	Anhui High Court[101]	Beijing High Court[102]	Chongqing High Court[103]	Guangdong High Court[104]	Jiangsu High Court[105]	Shanghai High Court[106]
Category of the work	X	X	X	X	X	X
Degree of originality of the work	X	X	X	X	X	X
Market value of the work	X	X	X		X	X
Prospective actual losses of the copyright holder/ illegal gains of the defendant	X	X	X		X	
Average profit margin in the same industry			X			X
Reasonable established license fees	X	X	X	X	X	X
Infringement for Commercial Purposes				X	X	
Production costs of the work						X
Infringer's state of mind	X	X	X		X	X
Repeat infringer					X	
Severity of infringement	X	X	X	X	X	X
Duration during which the infringement continued	X	X	X		X	

D. Expenses for Stopping Infringing Activities

The costs of litigation concerning copyright infringement are often high by Chinese standards.[107] Copyright holders typically must do "test

[101] Guiding Opinions of the Anhui High Court, *supra* note 92, art. 4.
[102] Guiding Opinions of the Beijing High Court, *supra* note 48, art. 9.
[103] Guiding Opinions of the Chongqing High Court, *supra* note 64, art. 19.
[104] Guiding Opinions of the Guangdong High Court on Certain Issues Relating to Trial of Copyright Infringements of Audio-visual and Music Works art. 3 [hereinafter "Guiding Opinions of the Guangdong High Court"].
[105] Guiding Opinions of the Jiangsu High Court, *supra* note 92, arts. 6, 9.
[106] Guiding Opinions of the Shanghai High Court, *supra* note 92, arts. 5, 6.
[107] The costs of litigation in China may seem low by American standards, but they are comparatively high by Chinese standards.

purchases" in order to gather evidence of infringement; identify the infringer; secure seizure, storage and destruction of infringing goods; and litigate in an infringement action.

Although copyright holders are eligible to recover the legal costs and other expense incurred in bringing successful infringement proceedings, many of the actual costs may remain on copyright holders. The amount to be reimbursed can be reduced in cases where the wins are only partial. In addition, if the costs are not reasonable (the statutory languages uses the expression "the 'reasonable' expenses paid by the right holders for stopping infringing activities"[108]), the courts can order a partial recovery of the costs. A report revealed that the reimbursement of legal costs and other expenses in a successful litigation is about 24.41%.[109]

Unfortunately, the Copyright Law does not provide any specific guidance regarding which circumstances would render expenses "reasonable." That determination has been left to the courts. Two courts held that in determining reasonable attorney's fees, the following factors should be taken into account: the amount of work necessary, the amount of work done, the skill employed, the monetary amount involved, and the result achieved.[110] However, most courts[111] determine "reasonable" attorney's

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108 2010 Copyright Law art. 10.

109 *See* ZHONGNAN UNIV. OF ECON. & LAW & PROTECTION & COORDINATION DEP'T OF STATE INTELLECTUAL PROPERTY OFFICE, AN EMPIRICAL STUDY OF DAMAGES IN INTELLECTUAL PROPERTY INFRINGEMENT CASES 64 (2012).

110 IP Tribunal of Hunan Higher People's Court & IP Tribunal of Changsha Intermediate Court, *Queding Zhishichanquan Qinquan Sunhai Peichang Shu'e Changjian Zhengju De Rending (How to Determine the Rules of Evidence in Calculating IP Damages)*, 11 RENMIN SIFA 32, 35 (2006); Wang & Shi, *supra* note 100, at 142, 162.

111 *See, e.g.*, Guiding Opinions of the Chongqing High Court, *supra* note 64, art. 26; Guiding Opinions of Jiangsu High Court, *supra* note 92, art. 22; Guiding Opinions of the Anhui High Court, *supra* note 92, art. 10; Guiding Opinions of the Shanghai High Court, *supra* note 92, art 15; Zhejiang High Court on Judging the Digital Copyright Infringement Cases, point 36.

fees on the basis of statutory tariffs with fixed maximums.[112] Generally, these tariffs are far lower than the actual costs incurred by right holders.[113]

It should be noted that the fees paid to foreign law firms are not always recovered because foreign lawyers are prohibited from interpreting or practicing Chinese law and representing their clients in courts,[114] and the fees paid to foreign law firms are not considered "attorney fees."[115]

Fees for the preservation and collection of evidence by notarization are generally fully recovered, since the standards of notarization fees are regulated by the government.[116] The costs to do test purchases are also generally recovered if the legal invoice is provided to the court.[117] Travel and accommodation costs during the period of obtaining evidence will be

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112 The statutory tariffs shall be determined by "competent price authorities of all provinces, autonomous regions and municipalities directly under the Central Government together with judicial administrative authorities at the same level therewith." *See* Measures for the Administration of Lawyers' Service Charges art. 6 (promulgated by National Development and Reform Commission & Ministry of Justice). In accordance with the Measures, local governments issued local standards on attorney fees. For example, the Beijing government issued the Rules on Government-Guided Price Rates for Lawyers' Litigation Agency Fees (for Trial Implementation) in 2010. Article 2 of the Rules relates to fee rates for civil cases. It states:

(1) Charging by the case: 3,000 to 10,000 RMB per case.

(2) Charging in proportion to the value of the subject matter: If the value of subject matter is 100,000 RMB or less, 10% (3,000 yuan at minimum); if the value of subject matter is more than 100,000 RMB, but not more than 1 million RMB, 6%; if the value of subject matter is more than 1 million RMB, but not more than 10 million RMB, 4%; If the value of subject matter is more than 10 million RMB, 2%.

113 Wang & Shi, *supra* note 100, at 142, 151.

114 *See* Civil Procedure Law of the P. R. China of 9 Apr. 1991 art. 263 (amended in 2007, 2012, 299 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 533 (2012)); Supreme People's Court Opinions on Certain Questions Concerning the Application of the Civil Procedure Law art. 308, 31 (Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 70 (1992)); Administrative Regulations for Foreign Law firm's Representative Organizations in China art. 15, 1038 St. Council Gaz. 10 (2002).

115 INTELLECTUAL PROPERTY TRIBUNAL OF THE FIRST INTERMEDIATE PEOPLE'S COURT OF BEIJING, ZHISHICHANQUAN SHENPAN SHIWU [INTELLECTUAL PROPERTY RIGHTS TRIAL REVIEW] 111-12 (2000).

116 *See* Notarization Law of the P. R. China art. 46, 250 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 464 (2005).

117 *See, e.g.*, Beijing Haidian Chaoxiang Computer Tech. Dev. Co., Ltd. v. Beijing Sitong Bus. Machine Tech. Co., Ltd., Decision Document No. 353 (Yizhongzhichuzi Beijing [1st Interm. Ct.] 2001).

fully recovered only if the standard is appropriate. This means that business class flights or luxury hotel accommodations are not permitted.[118]

E. Other Recovery

1. Moral Damages

China has adopted the theory of dualism, which makes a clear separation between moral rights and economic rights.[119] If and only if moral rights[120] are infringed, moral damages may be available.

In 1995, the Supreme Court, stated that: "the range and the amount of compensation shall be determined based on the plaintiff's total losses, including both economic losses and moral prejudice, and overall circumstances of the case."[121] It is understood that the Supreme Court recognized that damages include moral damages.[122]

However, in practice, Chinese courts rarely award moral damages because the precondition for claims for moral damages is *serious* moral prejudice incurred by the plaintiff.[123] Since moral damages are difficult to assess, the amount awarded is at the discretion of the court and the amount generally tends to be rather low. Some courts even list the maximum level of moral damages. For example, the Beijing High Court only permits moral damages below 50,000 RMB,[124] and the Chongqing High Court set the cap of moral damages at 100,000RMB.[125]

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118 IP Tribunal of Hunan Higher People's Court & IP Tribunal of Changsha Intermediate Court, *supra* note 110.

119 ZONGSHUN TANG, ZHUZUOQUANFA YUANLI (THE PRINCIPLES OF THE COPYRIGHT LAW) 59 (2005); ZHI WEI, ZHUZUOQUAN FA YUANLI (PRINCIPLES OF COPYRIGHT) 56 (1998).

120 In the Chinese Copyright Law, moral rights include the rights of divulgation, attribution, alteration and integrity. *See* 2010 Copyright Law art. 10(1)(1)–(4). For a detailed analysis of moral rights in Chinese copyright law, see Yong Wan, *Moral Rights of Authors in China*, 58 J. COPYRIGHT SOC'Y 455 (2011).

121 The Supreme People's Court, Reply on Copyright Infringement Dispute between Guanzhong Wu v. Shanghai Duoyunxuan Art House and Hong Kong Yongcheng Auction Company, Ltd. (July 6, 1995).

122 Jing Jia, *Zhuzuoquan Qinquan Jingshen Sunhai Peichang De Guize Yuanze* [*The Criterion of Liability in Moral Damages for Copyright Infringement*], 134 ZHENGFA LUNCONG 70, 70-71 (2010).

123 Guiding Opinions of the Beijing High Court, *supra* note 48, art. 21; Tort Liability Law of P. R. China art. 22, 281 Zhonghua Renmin Gongheguo Quanguo Renmin Daibiao Dahui Changwu Weiyuanhui Gongbao 4 (2010).

124 Guiding Opinions of the Beijing High Court, *supra* note 48, art 23.

125 Guiding Opinions of the Chongqing High Court, *supra* note 64, art. 22.

2. Prejudgment Interest

Compensatory damages awards may include prejudgment interest in the amount of damages assessed for the reason that "the defendant has had the benefit of plaintiff's money from the date of the infringement until entry of judgment and thus that benefit must be disgorged to make plaintiff whole."[126] Although prejudgment interest has been awarded in most IP cases in the United States,[127] it is an exception in China. Very few Chinese courts have awarded prejudgment interest. When prejudgment interest is awarded, the method of calculating the interest is by referring to the interest rates on overdue loans stipulated by the People's Bank of China (the Central Bank of China) for the period from the date of the infringement until entry of judgment.[128]

3. Punitive Damages

As mentioned above, the Chinese civil law system accepts in principle the doctrine of "full compensation." This means that the award of damages shall be neither more nor less than the prejudice suffered.

The language of the Copyright Law contains no indication as to whether or not a court should award punitive damages. Thus, as a general rule in civil law, punitive damages are unavailable under the Copyright Law, since intellectual property laws are viewed as *lex specialis* to civil law. In addition, the Supreme Court once found that there was no basis for an award of punitive damages in copyright infringement cases.[129]

However, some courts have questioned the prevailing general rule. For example, in *Shanghai Digital Creation Technology Co., Ltd. v. Beijing Wan Hu Min Mei Technology Co., Ltd.*,[130] Judge Lingyan Du of the Shanghai Pudong District Court held that punitive damages should be available in order to punish the infringer.[131]

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126 PATRY, *supra* note 68, § 22:222.

127 TROXEL & KERR, *supra* note 73, at 369-70. *Contra* PATRY, *supra* note 68, § 22:222.

128 *See* Fang Liu v. Ying Shu., Decision Document No. 413 (Yuwuzhongminchuzi [Chongqing 5th Interm. Ct.] 2007).

129 Shunde City Feima Advertising Gifts Co. v. Tianjin Municipality Tiantige Sporting Goods Store, Decision Document No. 1 (Zhitizi [Sup. Ct.] 2000).

130 Decision Document No. 453 (Puminsanzhichuzi [Shanghai Pudong Dist. Ct.] 2008).

131 XIAOMING XI ED., ZHONGGUO ZHISHICHANQUAN ZHIDAO ANLI PINGZHU [COMMENTS ON CHINESE INTELLECTUAL PROPERTY GUIDING CASES] 761-62 (2011).

III. LATEST DEVELOPMENTS

On March 31 and July 6, 2012, the National Copyright Administration of the P. R. China (NCAC) released the First[132] and Second[133] Draft Amendment of the Copyright Law for public comments respectively. The Draft Amendments made several significant improvements in damages system, including: (1) introducing an additional method of calculating damages; (2) raising the maximum level of statutory damages to RMB 1 million; and (3) allowing punitive damages.

A. The First Draft Amendment of the Copyright Law

Paragraph 1 of Article 72 of the First Draft Amendment of the Copyright Law introduces a new method of calculating damages: "the reasonable multiples of customary transactions fees for the rights." The expression "transaction fees" is ambiguous. At first glance, it may be interpreted as the cost for a transaction. In fact, the original intent of the drafter was that the term mean "licensing fees."[134]

It should be noted that the First Draft establishes a mandatory sequence of steps for a court to apply in determining damages: first, the measure of right holder's actual losses shall be used; if actual losses are difficult to prove, then the second step is to use the measure of an infringer's illegal gains; if actual losses and illegal gains are both difficult to prove, the third step is to use a new measure: reasonable transaction fees. Recovery of statutory damages is permitted only when those three measures of damages cannot be determined.[135] The second change was tying the award of statutory damages to registration of a work with the NCAC.[136] This change is unprecedented, because such a registration requirement did not exist under the Copyright Law of 1990/2001/2010.

Paragraph 2 of Article 72 of the First Draft also raises the maximum level of statutory damages from the current 500,000 RMB to 1 million RMB. Paragraph 3 of Article 72 of the First Draft also introduces punitive damages, which is the first time that punitive damages have officially been

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132 Nat'l Copyright Admin. of China, Circular on Solicitation of Public Comments on the Draft Amendment of the Copyright Law, http://www.ncac.gov.cn/cms/html/309/3502/201203/740608.html (last visited July 17, 2013).

133 Nat'l Copyright Admin. of China, Circular on Solicitation of Public Comments on the Second Draft Amendment of the Copyright Law, http://www.ncac.gov.cn/cms/html/309/3502/201207/759779.html (last visited July 17, 2013).

134 Nat'l Copyright Admin. of China, Brief Interpretations on the Draft Amendment of the Copyright Law, http://www.ncac.gov.cn/cms/cms/upload/info/201203/740608/133325053296183838.doc (last visited July 22, 2013).

135 *Id.*

136 First Draft art. 72, para. 2.

introduced into Chinese IP laws. It is important that damage awards accomplish not just compensatory, but also deterrent purposes.[137] It is to be noted that the First Draft provides the court with the obligation, not discretion, to award punitive damages when an infringer commits more than two willful infringements, since the term "shall" is used. It is understood that the punitive damages only apply to repeat *and* willful infringers.

B. The Second Draft Amendment of the Copyright Law

The Second Draft Amendment of the Copyright Law contained practically identical provisions on damages as the first Draft. The only two changes were: (1) to abandon the former registration requirement for claims for statutory damages;[138] and (2) to clarify that multiple damages are between "two to three times,"[139] instead of "one to three" times. This clarification is necessary, since if the multiplier is "one," it cannot be considered punitive damages.

C. The Third Draft Amendment of the Copyright Law

The Third Draft Amendment of the Copyright Law was finished in October 2012. Different from the First and Second Drafts, the Third Draft was not made available for public comment. The Third Draft made several substantial changes.

First, the Third Draft abandons the mandatory sequence of steps and permits the copyright holder to freely choose the measure of calculating damages (actual losses, illegal gains, reasonable royalty and statutory damages).[140]

Second, the Third Draft changes the courts' awarding of punitive damages for willful repeat infringers from obligatory to discretionary, since the Third Draft changed the word "shall" to "may." It is also to be noted that a plaintiff has no direct claims to punitive damages and the award of punitive damages is at the discretion of the court.[141]

Third, the Third Draft further introduces new rules on the burden of proof in order to relieve a right holder from an unreasonably heavy burden of proof. In accordance with the rules, if a right holder has fulfilled his/her burden as far as possible and has identified accounting documents or other information related to an infringement, which are held by the

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137 Opinions of the Supreme Court on Certain Issues Towards Ensuring that Trial of Intellectual Property Cases Serve the Overall Interest of China in the Current Economic Situation, point 16, 152 Zhonghua Renmin Gongheguo Zuigao Renmin Fayuan Gongbao 18 (2009).

138 Second Draft art. 72, para. 1.

139 *Id.* para. 3.

140 Third Draft art. 76, para. 1.

141 *Id.* para. 2.

defendant, the plaintiff can obtain a judicial order to obtain them. If the defendant does not comply with the order, the court may regard such a refusal as evidence against the infringer and award the damages in accordance with the plaintiff's claim.[142] This provision is very important, since China lacks the formal discovery procedures that exist in the United States, and it is difficult for the plaintiff to obtain relevant evidence. Of course, the practical result of the rules is basically at the discretion of the court, because it is up to the judge to evaluate whether a right holder has fulfilled his/her burden as far as possible, and accordingly whether there is a basis to order the defendant to disclose some of the documents in his possession.

IV. CONCLUDING REMARKS

For a long time, the damages provisions in Chinese Copyright Law have been criticized in the following respects: (1) the copyright holder has no choice among different measures of calculating damages; (2) the maximum level of statutory damages is low; (3) no punitive damages are available to provide an effective deterrent to infringement.

The Draft Amendments have addressed many concerns of the relevant stakeholders. The cap on statutory damages is raised to RMB 1 million; the copyright holder is granted the right to freely choose which measure of compensation to use; and a punitive damages system is introduced.

However, some important issues still need to be clarified. First, it is still not clear whether the maximum level of statutory damages applies to each work or case. It is suggested that it applies to each work in order to eliminate the incentive for copyright holders to file separate actions for each work involved in an infringement case, thus reducing an unnecessary burden on courts. Secondly, it needs to be clarified whether the reasonable expenses are separated from, instead of included within, the maximum level of statutory damages.

It should be noted that the Draft has to pass through various lengthy stages before it becomes an Act.[143] It took more than six years for the

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142 *Id.* para. 4.

143 The Third Draft has been submitted to the State Council Legislative Affairs Office (hereinafter SCLAO). After revision, SCLAO will submit the improved Draft to the State Council for approval, and the State Council approved version may then be submitted to the Standing Committee of the National People's Congress (hereinafter "NPC"). Then, the Standing Committee of the NPC will request public comments (maybe several times), before it reviews and approves the final texts.

Third Revision of Trademark Law to pass.[144] The same seems to be true about the final adoption of the Amendment of the Copyright Law, which will take quite a few years.

Of course, a good statutory law is important. However, much more important is how the law is interpreted and applied by judges. In this regard, the following two actions by China are necessary in addition to the reforms discussed above: (1) to strengthen the role of a legal precedents system in courts, in order to prevent any potential abuse of a judge's discretionary power and the certainty and predictability of the law is ensured; and (2) to require a detailed explanation of the specific process by which a judgment was rendered be provided in the judgment.

144 On August 30, 2013, the Standing Committee of the NPC passed the revised Trademark Law, *available at* http://www.npc.gov.cn/npc/xinwen/lfgz/lfdt/2013-08/30/content_1805042.htm. The reason why this law may have special significance is because it was the first IP statute in China, having been adopted in 1982.

PART II

COMMENTS ON ASCAP'S 100TH BIRTHDAY

ASCAP AT 100

by MARIA A. PALLANTE*

We are here today to celebrate the 100th birthday of ASCAP, the American Society of Composers, Authors and Publishers. Birthdays, of course, are an occasion not only for celebration, but also for both reflection and anticipation. As I will explain further, and as I've recently said elsewhere, I think the time has come for Congress to consider how the law might better serve the music marketplace in the digital era. But to understand how we got to where we are today, I will take my cue from Rodgers and Hammerstein's *The Sound of Music* and "start at the very beginning."[1]

As you may know, our first copyright act, in 1790, did not protect music at all. Most songs and other musical compositions in early America were pirated English compositions. To give just the most famous example: the melody of Francis Scott Key's 1814 composition, *The Star-Spangled Banner*, is based closely on the melody of an old English "drinking song."[2]

Then on February 3, 1831, Congress granted to the authors of a "musical composition" the "sole right and liberty of printing, reprinting, publishing, and vending" their works for a period of twenty-eight years.[3] The new law did not give composers — or any other authors, for that matter — the right to prevent others from *performing* their works. At the time, per-

*Register of Copyrights and Director of the U.S. Copyright Office. Remarks are from a "Copyright Matters" program on February 25, 2014 featuring award-winning songwriters Jimmy Webb and Paul Williams (also the President of ASCAP) and commentator Dee Dee Myers. My thanks to staff attorney Jessica Sebeok for her assistance. For more information about the program, see *Copyright Matters Lecture Series*, COPYRIGHT.GOV, available at http://www.copyright.gov/copyrightmatters/copy-ascap.html.

[1] RICHARD RODGERS & OSCAR HAMMERSTEIN II, *Do-Re-Mi*, *on* THE SOUND OF MUSIC (ORIGINAL BROADWAY CAST RECORDING) (Columbia Masterworks 1959).

[2] *See* William Lichtenwanger, *The Music of "The Star-Spangled Banner," from Ludgate Hill to Capitol Hill* 34 Q. J. LIBR. OF CONGRESS 136, 137 (July 1977) (describing the origins of the original English song, *To Anacreon in Heaven*). To hear the melody and original lyrics, see SMITHSONIAN INSTITUTION, *The Star-Spangled Banner: The Flag that Inspired the National Anthem – The Melody*, NATIONAL MUSEUM OF AMERICAN HISTORY, http://amhistory.si.edu/starspangledbanner/the-melody.aspx (click on "Listen to the Anacreontic Song (MP3)").

[3] Act of Feb. 3, 1831, ch. 16, 4 Stat. 436.

formances were considered the vehicle by which to spur the sale of sheet music.[4]

In fact, the 1831 law ushered in a productive and lucrative period in American music publishing that lasted at least through the Civil War. As *The Knickerbocker* magazine observed in 1859: "[O]ur sheet-music publishers now do mostly a copyright business. Many of these copyrights are very valuable."[5] However, the success of music publishers obscured the fact that it remained difficult for professional songwriters to make a living in mid-nineteenth century America. Composers typically transferred their copyrights to their publishers in exchange for royalty payments.

One contemporary composer, John Hill Hewitt, complained that songwriting was not a sustainable profession, "[f]or the simple reason that it does not pay the author."[6] Another composer, Henry Russell, lamented that reliance on those royalty payments would mean "simple starvation."[7]

In 1856, Congress enacted America's first public performance right. As we learned last month when celebrating the 100th anniversary of the Dramatists Guild, it is the dramatists who are responsible for this foundational development. Accordingly, the new right was restricted to dramatic compositions, but it paved the way for the more complete public performance right for musical compositions that would come some forty years later.

Still there were challenges. The copyright law that had worked well to protect against the infringement of sheet music was not equipped to deal with new forms of reproduction. Fortunately, a succession of significant amendments strengthened the resolve of composers, offering a more modern copyright law. In 1891, again mostly at the urging of the dramatists, Congress enacted the International Copyright Act, which extended copyright protection to foreign authors and demanded reciprocal protection for U.S. authors. In 1897, it enacted the "Cummings Bill." The Cummings fix was important because it both extended the public performance right to musical compositions and gave it teeth — imposing liability with attendant criminal penalties and injunctive relief. It would have a particularly profound effect on American composers and the American music

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[4] *See* KEVIN PARKS, MUSIC & COPYRIGHT IN AMERICA: TOWARD THE CELESTIAL JUKEBOX, 40 (American Bar Association, 2012) (stating that "[f]or pure 'musical compositions' (popular songs and ballads) . . . performance was merely a method of creating demand, a means to the end of selling hard goods-sheet music").

[5] *Editor's Table*, 54 THE KNICKERBOCKER OR N.Y. MONTHLY MAG., Dec. 1859, at 668.

[6] JOHN H. HEWITT, SHADOWS ON THE WALL OR GLIMPSES OF THE PAST: A RETROSPECT OF THE PAST FIFTY YEARS, 66 (AMS Press Inc. 1971) (1877).

[7] PARKS, *supra* note 4, at 13.

business. Public performance was no longer just a means of promoting compositions — it was now a source of income.

By 1909, things had really become interesting. Technology was moving fast, and innovations such as the newfangled player piano and the phonograph were soon ubiquitous in American homes, concert venues, restaurants, stores, saloons, and penny arcades. Congress completed and enacted a major revision of the Copyright Act, the first since 1790. And music was a star of the proceedings.

Several famous composers, including Victor Herbert and John Philip Sousa, offered frank testimony in support of the proposed bill. Sousa protested that "[w]hen these perforated-roll companies and these phonograph companies take my property and put it on their records they take something that I am interested in and give me no interest in it. When they make money out of my pieces I want a share of it."[8] Herbert declared that he and Sousa were testifying "for many hundreds of poor fellows who have not been able to come here . . . brother composers whose names figure on the advertisements of these companies who make perforated rolls and talking machines . . . and who have never received a cent . . . . Morally, there is only one side to it."[9]

The 1909 Act had a major impact on American composers. Among other things, it expressly provided for the exclusive right to publicly perform musical works for profit.[10] Congress also clarified that mechanical reproductions were covered under copyright and created a compulsory mechanical license for the manufacture and distribution of mechanical embodiments of musical works. More than a century old, this license is codified today in Section 115 of Title 17.

Unfortunately, the Act did not define the terms "performance," "public performance," or public performance "for profit." The ambiguity led many to conclude that licenses were not required unless admission fees were charged. Composers began to realize that even if they were legally entitled to collect for performances of their works in restaurants and other venues, it would be impossible in practice to police every such occasion.

In October 1913, Victor Herbert and his attorney, Nathan Burkan, and a number of other notable composers and music publishers braved heavy rains to gather at Lüchow's, the New York restaurant where Herbert and Burkan were regulars, to discuss how they might solve the public performance problem. On February 13, 1914, a second meeting was held

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[8] *Arguments Before the Comm.'s on Patents of the S. and H.R., Conjointly, on the Bills S. 6330 and H.R. 19853, to Amend and Consolidate the Acts Respecting Copyright*, 59th Cong. 23 (1906) (statement of John Philip Sousa, composer).

[9] *Id.* at 25-26 (statement of Victor Herbert, composer).

[10] Copyright Act of 1909, ch. 320, § 1(e), 35 Stat. 1075, 1075.

at the Hotel Claridge in Times Square and this time more than 100 composers crowded the meeting room. Here, ASCAP was born. (As an aside, it is beyond question that Victor Herbert deserves enormous credit for his vision and commitment in launching ASCAP. However, at this juncture in my remarks, before this audience, I would be remiss if I did not underscore the considerable contributions of his equally talented copyright lawyer.)

By the end of 1914, ASCAP had signed approximately eighty-five licensees, at rates of between five and fifteen dollars per month. A few years later (with some timely assistance from Oliver Wendell Holmes and the Supreme Court), ASCAP would distribute its first royalty payments to its members, amounting to approximately $82,000[11] (which is $961,026 in today's dollars).

Chief Justice Holmes was crucial because in 1917 ASCAP found itself before the Supreme Court in the seminal case *Herbert v. Shanley Co.*[12] Victor Herbert had sued Shanley's, a New York restaurant, for an unauthorized performance of his song, *Sweethearts*, the license to which was controlled by ASCAP. Shanley's countered that because it did not charge a fee for admission to its premises and only charged for the food, the performance of *Sweethearts* was not "for profit." Holmes disagreed with Shanley's, observing that "[i]f music did not pay it would be given up."[13] In what has since become a rather famous opinion, he observed that if a restaurant was in the business of making a profit — and music was a component of the overall ambience and service that conduced to making that profit — then the performance of the music was "for profit."[14]

In a second landmark decision in 1923 — *M. Witmark & Sons v. L. Bamberger & Co.* — a federal court held that performances by radio broadcast were "for profit" and required a license, even if the broadcast was free.[15] Unsurprisingly, this decision exacerbated simmering tensions between ASCAP and radio broadcasters.

In 1939, the National Association of Broadcasters (NAB) created Broadcast Music, Inc. (BMI) as an alternative to ASCAP, but this fledgling competitor did little to prevent ASCAP from raising its rates. The tension came to a boil on New Year's Day in 1941, when NAB demonstrated its opposition to ASCAP's new pricing structures by "banning" ASCAP music from the airwaves.

Enter the Department of Justice. On December 26, 1940, the DOJ filed suit against ASCAP *and* BMI, as well as both national radio net-

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11 *See* PARKS, *supra* note 4, at 82 n.38.
12 242 U.S. 591 (1917).
13 *Id.* at 595.
14 *Id.* at 594-95.
15 291 F. 776, 780 (D.N.J. 1923).

works, accusing them of violating the Sherman Antitrust Act. In late February 1941, ASCAP and BMI entered into consent decrees — still operative today — designed to protect licensees from price discrimination or other anti-competitive behavior.[16]

Under the terms of the consent decrees, ASCAP and BMI administer the public performance right for their members' musical works on a non-exclusive basis and offer the same terms to similarly situated licensees. In addition, as of 1950, prospective licensees may seek determination of a reasonable license fee for ASCAP and BMI works in the federal court for the Southern District of New York. (The Society of European Stage Authors and Composers (SESAC), a smaller third performing rights organization created in 1930 in an effort to help European publishers retrieve their American performance royalties, operates without a consent decree.)

The Copyright Act was enacted in 1976. But in the nearly forty years since President Gerald Ford signed it into law, the business of reproducing and performing music has evolved dramatically — from vinyl records to 8-tracks and cassette tapes to CDs to digital downloads, MP3s, music lockers, and peer-to-peer file sharing. Music has never been so abundantly available — from so many different sources and with so much interactivity — as it is today.

But the basics haven't changed at all. Consider the words of singer-songwriter Lyle Lovett, who writes that amidst the "evolution of the many and various vehicles for delivery of music, what remains remarkably constant is the struggle to convince music users and our lawmakers that songs still need to be safeguarded and songwriters still need to get paid fairly for what they do."[17]

All of these new music technologies and services have raised critical copyright questions and have prompted urgent calls for a comprehensive evaluation of our music licensing regimes. Good-faith actors in the music marketplace are in agreement that songwriters and recording artists, as well as the music publisher and record label intermediaries who invest in their careers, deserve to be compensated for the value of their creative contributions.

In the past decade, however, as the market for CDs and other physical formats has declined, songwriters and recording artists have increasingly expressed frustration that the royalties they receive from new, legal digital services fail to make up for the loss in income from the sale of physical goods. Accordingly, we need to take a close look at the impact of the various ratesetting standards, within and across different music deliv-

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[16] *See generally* United States v. Broad. Music, Inc., 275 F.3d 168, 171-72 (2d Cir. 2001) (describing the history).

[17] Lyle Lovett, *Preface to* BRUCE POLLOCK, A FRIEND IN THE MUSIC BUSINESS: THE ASCAP STORY, at xii (2014).

ery platforms, to see if they further the goals of the copyright system — one of the most fundamental of which is to ensure fair returns to creators.

At the same time, those seeking to bring music-related products to the marketplace struggle with the complexity of, and obstacles in, the music licensing process. An online music service typically must offer access to millions of songs in order to be a viable player in the digital market place. And many music services are required to obtain both performance and reproduction rights for use of the same works.

Today, some frustrated music publishers — especially larger ones — are choosing to license their public performance rights directly to digital services instead of through third-party administrators such as ASCAP, BMI or SESAC.[18] The fact that everyone — from creators to consumers to licensees — is frustrated suggests that the system simply isn't working. There isn't anything wrong with the direct licensing of rights on the open marketplace, but many authors, smaller publishers, and music lovers prefer and rely on the advantages offered by collective licensing.

For these reasons, I believe the time has come to review the role of the consent decrees governing ASCAP and BMI and their impact on the music marketplace — to assess whether, in the digital marketplace, they are facilitating or hindering a robust exchange of transactions. Certainly the government has responsibilities in this space. The challenge is how to reconcile or rationalize issues of competition, with respect to which the government has a very serious role, with the beneficial aspects of collective management, the purpose of which is no less relevant than it was in 1914.

Looking at all of these challenges, it is clear there will always be an important role for the collective licensing paradigm, which was innovative when ASCAP was founded 100 years ago and remains innovative today. As the Copyright Office suggested in 2011's discussion document, *Legal Issues in Mass Digitization*, voluntary collective licensing — adapted ap-

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[18] The U.S. District Court for the Southern District of New York recently issued conflicting decisions as to whether withdrawals of this type affect the scope of the repertories subject to licensing under the consent decrees. *Compare Broad. Music, Inc. v. Pandora Media, Inc.*, Nos. 13 Civ. 4037, 64 Civ. 3787, 2013 WL 6697788, at *4 (S.D.N.Y. Dec. 19, 2013) ("When portions of [the public performance] right are withdrawn, the affected compositions are no longer eligible for membership in BMI's repertory, and it cannot include them in a blanket license or license them at all."), *with In re Pandora Media, Inc.*, Nos. 12 Civ. 8035, 41 Civ. 1395, 2013 WL 5211927, at *1 (S.D.N.Y. Sept. 17, 2013) ("[T]he language of the consent decree unambiguously requires ASCAP to provide Pandora with a license to perform all of the works in its repertory, and . . . ASCAP retains the works of 'withdrawing' publishers in its repertory even if it purports to lack the right to license them to a subclass of New Media entities . . . .").

propriately and perhaps complemented by micro-licensing systems and other voluntary mechanisms — remains a vital option for clearing rights in the digital era.[19]

The experience of other countries supports this view. In many other countries, collective management organizations license both the public performance right *and* the reproduction and distribution right for musical compositions, which allows for "one-stop-shopping" for music licensees and more streamlined royalty processing for copyright owners.

And just this month, the European Parliament adopted a new Directive to modernize collective rights management and develop multi-territorial licensing of musical works for online use. The Directive is structured to ensure that rightsholders have more control over the management of their rights and to "facilitate the entry of smaller innovative suppliers on the European market," thereby leading to wider availability and more choice in legal online music.[20]

Finally, we should recognize that collecting societies at home and abroad offer their members so much more than just rights management and royalty collection and distribution. They offer legal, political, and logistical services, including enforcement of their rights — a combination of services that is more important than ever as increasing numbers of artists are self-produced and self-managed.

They also offer moral support. "ASCAP is officially the most committed relationship I have ever had," said country music artist Deana Carter.[21]

Motown's Valerie Simpson put it this way, "[w]e didn't have to think about it . . . all we had to do was create."[22]

Before I leave this topic and introduce our honored guests, I want to highlight that the Copyright Office is currently studying a number of music

---

19 *See* U.S. COPYRIGHT OFFICE, LEGAL ISSUES IN MASS DIGITIZATION: A PRELIMINARY ANALYSIS AND DISCUSSION DOCUMENT 32 (2011), http://www.copyright.gov/docs/massdigitization/USCOMassDigitization_October2011.pdf.

20 Press Release, European Commission, Commissioner Michel Barnier Welcomes the European Parliament Vote on the Directive on Collective Rights Management (Feb. 4, 2014), *available at* http://europa.eu/rapid/press-release_MEMO-14-80_en.htm. The full text of Directive 2014/26/EU can be found at http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2014_084_R_0072_01&rid=2.

21 ASCAP, *Happy 100th Birthday, ASCAP!*, YOUTUBE.COM (Feb. 13, 2014), https://www.youtube.com/watch?v=UavL3-bgAZs&feature=player_embedded.

22 Jeff Lunden, *Collecting Money For Songwriters, A 100-Year Tug Of War*, NPR.ORG (Feb. 13, 2014), http://www.npr.org/2014/02/13/275920416/collecting-money-for-songwriters-a-100-year-tug-of-war.

issues for the benefit of Congress as well as our own work in administering the copyright law.[23] Among our many questions are the following:

- Whether the consent decrees governing the licensing practices of ASCAP and BMI are continuing to function as intended in the era of digital music;
- Whether — and, if so, how — the government might encourage the adoption of universal standards and/or practices with respect to the identification of musical works and sound recordings to facilitate the music licensing process;
- Whether existing ratesetting standards are efficient (and yield fair results); and,
- In the reproduction and distribution context, whether the Section 115 statutory license is effective and whether the music marketplace might benefit if it were updated to permit licensing of musical works on a blanket basis by one or more collective licensing entities.

A final word of reflection. As I was preparing these remarks, I was searching for an elegant and fitting tribute to the work of ASCAP during its first 100 years. Then it occurred to me that Kermit the Frog may have summed it up best performing Paul's beloved song, *Rainbow Connection*:

Somebody thought of that and someone believed it
Look what it's done so far.[24]

Congratulations ASCAP.

[23] The Copyright Office published a notice of inquiry a few weeks later, seeking public comments on twenty-four questions about musical works, sound recordings, platform parity, changes in music licensing practices, revenues and investment, and data standards. *See* Music Licensing Study: Notice and Request for Public Comment, 78 Fed. Reg. 14,739 (Mar. 17, 2014).

[24] PAUL WILLIAMS & KENNETH ASCHER, *The Rainbow Connection*, *on* THE MUPPET MOVIE (ORIGINAL SOUNDTRACK RECORDING) (Atlantic Records 1979).

PART III

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Licensing Division Announces eLi Pilot Project; Cable Operators Encouraged to Participate. The Copyright Office has invited cable operators to participate in the eLi Pilot Project. The period for participation opens on Wednesday, October 1, 2014, and will be available until the close of business on November 30, 2014. This project is intended to demonstrate and test a number of eLi's functions, from basic administration and user account creation to submission of Statements of Account (SOA) and the simultaneous filing of multiple SOAs (or "Batch Filing").

PART IV

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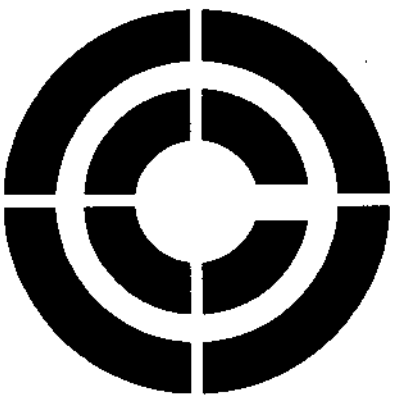

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FROM THE DESK OF THE CO-EDITORS-IN-CHIEF

Part I, of Volume 61, Issue 4, consists of the Forty-Third Annual Donald C. Brace Memorial Lecture, which was given by Shira Perlmutter. Her lecture, *From Paralysis to Progress: The (Useful) Art of Copyright Pragmatism*, discusses copyright developments in the digital age. Ms. Perlmutter notes that although the pace of technological change has increased, "the pace of legislative change has stalled." She then describes areas where some progress has been made and offers suggestions to further positive changes, "based on incrementalism, pragmatism, directed self-interest, and public legitimacy." Ms. Perlmutter concludes: "In my view, a strong dose of pragmatism can significantly improve the health of the copyright policy environment."

Part II, starts with *Copyright Tradition in Latin America: From Independence to Internationalization* by Alberto Cerda Silva, a professor of law at the University of Chile. The article reviews the evolution of copyright in Latin America and then describes the harmonization of international copyright law and relates how Latin American countries became parties to the Berne Convention and subsequent international copyright instruments. The author concludes that "Latin America not only has a long tradition of protecting copyright, but also has a clear idea about the relevance of achieving that protection beyond national borders." He adds: "Countries refused to accede to the Berne Convention not because they lacked a copyright tradition or persisted in certain legal isolation, but because it was inconvenient in relative terms, since Latin America historically has had an unfavorable commercial trade on copyrighted matters, particularly with Europe."

Also dealing with the history of copyright law is *Free Trade in Books: The 1878 Royal Commission on Copyright* by Barbara Lauriat. Her article discusses free trade and the book trade in the U.K. during the nineteenth century, the Royal Commission report and dissenting views, and a controversial proposal for mandatory royalties in the British colonies. In conclusion, the author notes: "The Copyright Commission illustrates how individuals with similar political and economic views could disagree about exactly where copyright and other kinds of intellectual property fell within the framework of their ideologies and how those with opposing political views could find common ground in their approach to copyright."

Part II also includes *Copyright, Causality and the Courts* by previous *Journal* contributor Michael Einhorn, which addresses causality requirements in copyright infringement remedies and "reviews some of the more

important cases where courts have ruled on the plaintiff's burden of proving causality . . . [and] attempts to provide to the legal practitioner a roadmap of issues that can come to bear on the matter." Mr. Einhorn's recommendations for dealing with the causal connection issue include, in connection with copyright remedies, using the reasonable relationship standard, distinguishing between willful and non-willful acts and direct and indirect infringement, considering the widespread effect of certain behaviors, and enforcing punitive damages.

Part III consists of Register of Copyrights Maria Pallante's gracious and informative remarks, which were made at the Sixtieth Anniversary Gala of the Copyright Society held at the Library of Congress in June. Part IV contains Andrea Rush's review of *Overlapping Property Rights*, published by Oxford University Press, which consists of seventeen chapters authored by twenty-five contributors.

The issue concludes with Part V, Administrative Developments, and Part VI, the Bibliography.

As always, your comments and suggestions are welcome.

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PART I

BRACE LECTURE

FROM PARALYSIS TO PROGRESS: THE (USEFUL) ART OF COPYRIGHT PRAGMATISM

by SHIRA PERLMUTTER*

I. INTRODUCTION

Let me start with a disclaimer: I am speaking today as an individual observer and participant in the past twenty years of copyright policy discussions, not as a public official. My remarks are the outgrowth of my checkered past, having had the opportunity to view the debates from a wide variety of perspectives, including the private and public sectors, in the United States and internationally.

Copyright is on everyone's lips today. Conferences are organized; papers are published; hearings are held; blogs are posted; bills are introduced. Copyright issues make the headlines and provide material for cocktail party chatter. The viability of copyright in the Internet age and glitches in online licensing are hot topics. But all of this activity, and all of this noise, in recent years has not led to the adoption of new laws. Why the disconnect between the level of interest and the pace of legislative change? The fact is that copyright policy-making, in both the international and domestic spheres, has become increasingly difficult. We see periods of near paralysis, as debates rage but little gets done.

Of course one could take the perspective that no action is good — that gridlock, as in the larger political arena, can be preferable to foolhardy change. In the copyright field, however, the law has always been bound to technology in its definitions and application — and as technology evolves, so must policy. This does not mean that copyright rights should forever expand, or that change is a goal in itself; rather, the balance struck as to the scope of rights and exceptions, and their practical application, needs to adapt to the delivery mechanisms of the current day. In fact, as everyone is aware, there have been growing calls for copyright revision, culminating last year in the Register of Copyrights' vision of the

*Chief Policy Officer and Director for International Affairs, United States Patent and Trademark Office, Department of Commerce. The views expressed herein are solely those of the author and do not necessarily represent the position of the USPTO or the US government. This article is a written version of the Forty-Third Brace Lecture delivered on November 4, 2013 at Fordham Law School in New York.

Next Great Copyright Act[1] and Congressional response through a phased review of the current Act's provisions.[2]

The past decade's record, however, does not inspire optimism. While numerous proposals have been made to update copyright, most have failed to move forward. It has always been true that many bills are introduced that do not make it into law—but the tally lately has been particularly low. For a combination of reasons, it seems far easier for copyright legislation to be blocked than it was in the past.

I will begin by reviewing the rise and fall of norm-setting in the digital age; try to diagnose the multiple causes that have contributed to this arc; and venture a few prescriptions for moving forward.

II. IDENTIFYING THE PROBLEM

A. The Upward Swing

Digital copyright reform had its heyday from the mid-1990s through the first few years of this century. This was a very productive decade. A flurry of international and national activity addressed the challenges posed for copyright by emerging digital technologies. These developments are described in the *Green Paper on Copyright Policy, Creativity, and Innovation in the Digital Economy* that we released last July in the Department of Commerce.[3]

The flurry began in this country with the 1995 publication of a prior Administration report, "Intellectual Property and the National Information Infrastructure"[4] (a term that sounds quaint to twenty-first-century ears). That report kicked off what can be called the first tranche of digital copyright reform. It provided a comprehensive overview of domestic and international copyright law, and made a number of recommendations for change, many of which ended up being adopted.

One such proposal joined Administration support to a long-standing Copyright Office recommendation for the creation of a public perform-

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[1] Maria A. Pallante, *The Next Great Copyright Act*, 36 COLUM. J.L. & ARTS 315 (2013).

[2] *See Chairman Goodlatte Announces Comprehensive Review of Copyright Law*, UNITED STATES HOUSE OF REPRESENTATIVES JUDICIARY COMMITTEE (Apr. 24, 2013), http://judiciary.house.gov/index.cfm/press-releases?ID=1B5C521A-D006-B517-9949-43E692E1E52E.

[3] DEP'T OF COMMERCE INTERNET POLICY TASK FORCE, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY (2013) (hereinafter GREEN PAPER), *available at* http://www.uspto.gov/news/publications/copyrightgreenpaper.pdf.

[4] INFORMATION INFRASTRUCTURE TASK FORCE, INTELLECTUAL PROPERTY AND THE NATIONAL INFORMATION INFRASTRUCTURE: THE REPORT OF THE WORKING GROUP ON INTELLECTUAL PROPERTY RIGHTS (Sept. 1995), *available at* http://www.uspto.gov/web/offices/com/doc/ipnii/ipnii.pdf.

ance right in sound recordings — bringing them to parity with other categories of works and treatment in most other countries.[5] Just a few months after the report's publication, Congress enacted a limited version of such a right, extending only to certain digital performances (but not to over-the-air broadcasting).[6]

This U.S. legislation was soon followed by the World Intellectual Property Organization (WIPO) Internet Treaties of 1996,[7] which were intended to update the leading multilateral copyright treaties (the Berne and Rome Conventions[8]) for the digital age. Their provisions, which included clarification of the scope of rights, flexibility for digital exceptions, and groundbreaking protection for technological adjuncts to rights, were widely hailed as balanced.[9] They were framed in broad and general terms, however, leaving considerable leeway to national law.

It took nearly two years to carve out the acceptable compromises in the United States — a period that seemed lengthy at the time, but now looks remarkably swift. The Digital Millennium Copyright Act (DMCA) was enacted in 1998[10] (and just celebrated its fifteen-year anniversary). Congress did not stop with treaty implementation, however — it was more ambitious. The DMCA was an extensive piece of legislation: it included a separate Title establishing safe harbors for internet service providers, as well as updates to the library exception and to music licensing. The same month saw the controversial extension of copyright term to life plus seventy.[11]

Additional work on exceptions followed. In 2002, the Copyright Act was updated to facilitate digital distance education.[12] In 2004 the Chafee Amendment expanded permissible uses of copyrighted works for the ben-

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[5] *See generally* GREEN PAPER, *supra* note 3, at 11 & n.43.

[6] Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, 109 Stat. 336 (Nov. 1, 1995) (amending 17 U.S.C. §§ 106, 114-115).

[7] WIPO Copyright Treaty, Sept. 20, 1996, S. TREATY DOC. No. 105-17 (1997); 36 ILM 65(1997); WIPO Performances and Phonograms Treaty, Dec. 20, 1996, S. TREATY DOC. No. 105-17, 36 ILM 76 (1997).

[8] Berne Convention for the Protection of Literary and Artistic Works, September 9, 1886, as last revised at Paris on July 24, 1971, 1161 U.N.T.S. 30; International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, Rome, Oct. 26. 1961, 496 U.N.T.S. 43, *entered into force* May 18, 1964 (Rome Convention).

[9] *See, e.g.*, Pamela Samuelson, *The U.S. Digital Agenda at WIPO*, 37 VA. J. INT'L L. 369 (1997).

[10] Digital Millennium Copyright Act of 1998, Pub. L. No. 105-304, 112 Stat. 2860 (Oct. 28, 1998).

[11] Sonny Bono Copyright Term Extension Act of 1998, Pub. L. No. 105-298, 112 Stat. 2827.

[12] Technology, Education and Copyright Harmonization (TEACH) Act of 2002, Pub. L. No. 107-273, 116 Stat. 1758.

efit of the blind and visually impaired.[13] And in 2005 the library exception was expanded to allow greater use of orphan works,[14] while the Family Movie Act added an exemption allowing the skipping of objectionable audio and video content in motion pictures.[15]

Since then, the pace of technological change has only increased, but the pace of legislative change has stalled.

B. The Slowdown

Let's look at the main areas of stagnation, starting at WIPO and moving through U.S. legislative initiatives relating to broadcasting rights, music licensing, library uses, orphan works and enforcement.

At the international level, the treaty updating process begun at WIPO in 1996 ground to a halt for ten years. A diplomatic conference in 2000 to update the rights of audiovisual performers ended in failure, leading to recriminations and blame. More than a decade was to pass before the blockage could be dissolved and a treaty concluded. And broadcasting organizations, which had been pressing for updated rights since the 1990s, are still waiting their turn at WIPO's Standing Committee on Copyright and Related Rights (SCCR). It remains to be seen whether the proposals on the table will ripen into a treaty in the foreseeable future.

At the domestic level in the United States, there have been many recent efforts to amend copyright law to update it for twenty-first-century needs — proposing new rights or exceptions, new structures for music licensing, or new online enforcement tools. Those efforts have not gone far. Post-2005 statutory amendments have rather modified the specifics of existing statutory licenses and adjusted sanctions, or have involved technical corrections. The Pro-IP Act in 2008 created the position of IP Enforcement Coordinator and improved existing enforcement capabilities,[16] but did not address the online challenges. Although various substantive bills have been introduced during this period, none has been successful.

In the area of music, there has been continued pressure to create a broadcasting right for sound recordings. Now that digital services are required to pay for the use of sound recordings, the lack of any payment by over-the-air broadcasters leads to a competitive imbalance. Bills have

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[13] Individuals with Disabilities Education Improvement Act of 2004, Pub. L. No. 108-446, 118 Stat. 2647.

[14] Preservation of Orphan Works Act of 2005, Pub. L. No. 109-9, 119 Stat. 218, 226, 227.

[15] Family Movie Act of 2005, Pub. L. No. 109-9, 119 Stat. 218, 223.

[16] Prioritizing Resources and Organization for Intellectual Property (PRO-IP) Act of 2008, Pub. L. No. 110-403, 122 Stat. 4256.

been introduced to address this imbalance,[17] but none has passed. As a result, while services continue to evolve, the law has stood still.

Complaints about the complexity and difficulty of music licensing, and the inhibiting effect on new online business models, have been rife for at least fifteen years. Among the problems cited are the work-specific nature of the mechanical license, and the fact that the different rights in musical compositions are administered by different entities.[18] There has been much discussion of potential reforms but little action in the legislative arena.

Attempts have also been made to further update the library exception. The DMCA amended this exception in 1998 to allow libraries and archives to take advantage of digital technologies when engaging in preservation activities. By 2006, however, there was concern that the amendments had been outstripped by technological change in a number of respects. The Copyright Office convened an independent Study Group to examine these issues, which issued a report in 2008 making a number of legislative recommendations.[19] More than five years later, none of these recommendations has been acted on — although the Copyright Office has begun another consultation.[20]

Another legislative proposal involved a new exception, addressing the problem of orphan works—copyrighted works whose owners cannot be identified or located, making it impossible to negotiate terms for their use. This issue has been a topic of increased concern since the abandonment of copyright formalities and the extension of copyright terms: there are simply more older works, and works without clear indicia of ownership, that are protected by copyright. In a thorough and thoughtful report in 2006, the Copyright Office recommended a legislative solution, based on limiting remedies against good faith users of orphan works.[21] Legislation was introduced in 2006 and again in 2008 that built on those recommenda-

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17 *See, e.g.*, Discussion Draft, Interim Fairness in Radio Starting Today Act (Aug. 7, 2012), *available at* http://nadler.house.gov/sites/nadler.house.gov/files/documents/NADLER_153_xml.pdf.

18 *See generally* GREEN PAPER, *supra* note 3, at 80-86.

19 THE SECTION 108 STUDY GROUP REPORT (Mar. 2008), *available at* http://www.section108.gov/docs/Sec108StudyGroupReport.pdf.

20 *See Revising Section 108: Copyright Exceptions for Libraries and Archives*, U.S. COPYRIGHT OFFICE (last revised Feb. 20, 2013), http://www.copyright.gov/docs/section108.

21 UNITED STATES COPYRIGHT OFFICE, REPORT ON ORPHAN WORKS: A Report of the Register of Copyrights (2006), *available at* http://www.copyright.gov/orphan/orphan-report.pdf.

tions.[22] Ultimately the bills did not pass, despite considerable interest and broad support. The Copyright Office has now returned to this issue as well.[23]

The area of enforcement has unexpectedly become the hot spot of copyright policy making. One would have thought — as I once did — that enforcement would be easy, compared to rights and exceptions. Once agreement was reached on an appropriate balance in the law, how could anyone object to ensuring that the balance could be meaningfully enforced? At the international level, then, the Anti-Counterfeiting Trade Agreement (ACTA)[24] seemed like a great idea. A coalition of the willing — countries with high-quality enforcement regimes — would come together and adopt a framework for gold-standard enforcement procedures that could serve as a model elsewhere. But nothing is simple, and nothing is free from controversy these days. Criticism of insufficient transparency and fears of enforcement excesses led to public protests in several European capitals.[25] Although most participating countries signed the agreement, the European Parliament roundly rejected it in a vote of 39 in favor and 478 against (despite a Legal Committee determination that the provisions were fully consistent with existing EU law).[26]

In Washington, a desire to address online infringement led to consideration of legislation targeting "rogue websites". In 2011, the PROTECT IP Act introduced in the Senate, and the Stop Online Piracy Act (SOPA) introduced in the House, would have provided for expanded government and private enforcement actions to block websites dedicated to piracy.[27] These provisions provoked strong opposition, with unprecedented online activism from individuals, companies and civil society.[28] Although the

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[22] *See* Shawn Bentley Orphan Works Act of 2008, S. 2913, 110th Cong. (2008); Orphan Works Act of 2008, H.R. 5889, 110th Cong. (2008); Orphan Works Act of 2006, H.R. 5439, 109th Cong. (2006).

[23] *See* Copyright Office, Orphan Works and Mass Digitization, 77 Fed. Reg. 64,555 (Oct. 22, 2012).

[24] Anti-Counterfeiting Trade Agreement (ACTA) (final text of May 2011) *available at* http://www.mofa.go.jp/policy/economy/i_property/pdfs/acta1105_en.pdf.

[25] *See* Erik Kirschbaum & Irina Ivanova, *Protests Erupt Across Europe Against Web Piracy Treaty*, REUTERS (Feb. 11, 2012), http://www.reuters.com/article/2012/02/11/us-europe-protest-acta-idUSTRE81A0I120120211.

[26] *See European Parliament Rejects ACTA*, EUROPEAN PARLIAMENT/NEWS (Apr. 7, 2012), http://www.europarl.europa.eu/news/en/news-room/content/20120703ipr48247/html/European-Parliament-rejects-ACTA.

[27] Stop Online Piracy Act (SOPA), H.R. 3261, 112th Cong. (2011); Preventing Real Online Threats to Economic Creativity and Theft of Intellectual Property Act of 2011 (PROTECT IP Act), S. 968, 112th Cong. (2011).

[28] *See, e.g.*, Jonathan Weisman, *In Fight Over Piracy Bills, New Economy Rises Against Old*, N.Y. TIMES (Jan. 18, 2012), http://www.nytimes.com/2012/01/

bills also contained other provisions that were not similarly targeted, given the vehemence of the response ultimately both bills were withdrawn. "SOPA" has now become an epithet—and one cited in connection with almost every online enforcement initiative, whether legislative or not.

III. THE DIAGNOSIS

The factors that have led to this state of impasse are numerous, and have already been the subject of considerable comment. Each of them has positive aspects but nevertheless has slowed policy development. They range from the impact of international trade negotiations and development concerns, to the expansion of the number and variety of voices joining the debates, to the effect of new technology on process and timing as well as on substance. I will mention just eight!

On the international side, there is the intertwining of copyright and trade, which began in the 1990s. On the one hand, this has led to the adoption of modern copyright laws in countries around the world, and greater substantive harmonization. In this sense, trade interests have served as an engine for copyright reform. Whether or not one approves of the specific changes, it is undeniable that there has been movement. On the other hand, the trade connection has also meant a more contentious and less flexible negotiating environment in the separate context of pure IP norm-setting. At WIPO, concern about positions in contemporaneous trade negotiations has led to demands for redundant text or refusals to accept long-established treaty norms. For example, in the June 2013 Marrakesh Diplomatic Conference, least-developed countries were unwilling, at least in part, to take on any new obligations to apply the standard three-step test for copyright exceptions because they had just obtained an extension to the moratorium on their TRIPs obligations,[29] and TRIPs contains a version of that test. Other delegations were clearly conscious of how the shaping of the provision on technological measures could affect ongoing negotiations of the same issue in the TransPacific Partnership (TPP).

Another factor internationally has been the rise of the so-called "development agenda" at WIPO and elsewhere. Developing countries have taken the position that development goals should always inform the IP debates, particularly at WIPO as a United Nations-affiliated agency. The focus on development implications necessarily entails consideration of topics beyond the specific technical issues on the table. While develop-

19/technology/web-protests-piracy-bill-and-2-key-senators-change-course.html?pagewanted=all&_r=0.

[29] *See Responding to the Least Developed Countries' Special Needs in Intellectual Property* WORLD TRADE ORGANIZATION (last updated Oct. 16, 2013), http://www.wto.org/english/tratop_e/trips_e/ldc_e.htm.

ment goals are of course important in their own right, this too serves to complicate policy-making.

In terms of process, the community of non-governmental organizations (NGOs) has been expanding its influence, with greater participation in international forums. This is not simply a question of sheer numbers or size; the nature of the NGO role has also changed. We now see the involvement of public interest groups that work on a global stage, whether through physical presence or virtual networks. One byproduct may be a greater emphasis on principles rather than practical day-to-day interactions.

At both national and international levels, the copyright value chain has become more complex. There are more players with different stakes to defend, and more intermediaries operating in the space between creators and consumers. Rather than the classic model of creators offering their works to publishers and producers who in turn offer them to the public, a host of new players such as technology companies, online services and internet service providers all play a role in the online ecosystem. Multiple alternative distribution options are available, some cutting out traditional intermediaries completely. In other words, the copyright landscape is shifting under our feet.

And critically, consumers themselves have become a significant voice to be reckoned with. Of course consumer desires always shaped the market, as rightholders sought ears and eyes for their works. But today consumers are more than a passive audience; they have the potential to be creators in their own right more than ever before, users on a scale that can impact the market, and global distributors. Technology has empowered them in new ways, and they are newly aware of how their lives are affected by copyright. Moreover, they have alternative means of access that did not exist in the past, and therefore need to be convinced to participate in the legitimate marketplace.

In part as a result of these changes, Internet activism has entered the copyright policy space. The most prominent examples are the public campaigns in opposition to SOPA/PIPA in the United States, and to ACTA in the EU. Their success is due in part to the existence of well-organized networks of activists and to the technological capacity of online communications. Messages can be delivered overnight in huge numbers, inundating policy-makers. The positive aspect is the unprecedented ability to hear the voice of the people directly, enhancing democracy. The negative aspect is the danger that the messages may not always be fully informed or usefully nuanced. Most of all, the high volume and immediacy can leave little room for discussion or improvement. This is an issue today not just for copyright, but for any legislation in the Internet sphere.

The IP debates generally have also been marked by greater politicization. The stakes have been raised, with the discourse moved above the level of technical experts and political facets added. World leaders have become personally involved on a number of high-profile issues, from President Obama's concern about so-called "patent trolls"[30] to President Hollande's platform on reform of HADOPI[31] to then-President Medvedev's warnings about copyright being out of date.[32] The last decade has even seen the rise of a political party founded on anti-copyright principles — the Pirate Party in Europe has achieved far more prominence than might have been expected for what started as a single-issue movement (although it now seems to be on the wane).

At the same time, the rapidity of technological and market change poses a challenge for the normal slow pace of legislation. A law may take years to enact, and be largely outdated by the time it takes effect—at which point it cannot easily be amended. The ISP safe harbors of the DMCA were constructed in 1998 to address then-current forms of online dissemination; only a year later, they were challenged by the unforeseen technology of peer-to-peer file-sharing. Again, this is not a copyright-specific problem, but it does have a major effect on copyright law.

Finally, digital technology itself entails growing overlap with other areas of the law, notably communications and privacy. So copyright decisions may have serious implications for those fields as well. For example, the most recent DMCA rule-making raised questions about telecommunications policy with respect to consumer unlocking of cell phones—an issue that, as the Library of Congress has noted, is not well-suited to be addressed through copyright.[33]

This complexity is undeniably daunting.

IV. WHAT CAN BE DONE?

As work continues on the current Congressional review, the various Copyright Office studies, the projects set out in the Department of Commerce *Green Paper*, and the WIPO agenda, the question is what can be

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[30] *See* Kelly Burke, *Obama Takes Swipe at Patent Trolls in Call for Further Reform*, INTELLECTUAL PROPERTY WATCH (Feb. 15, 2013), http://www.ip-watch.org/2013/02/15/obama-takes-swipe-at-patent-trolls-in-call-for-further-reform.

[31] *See* Camille Duponteil, *The Post HADOPI Era: François Hollande's Position on Digital Issues*, LA JEUNE POLITIQUE (July 8, 2012), http://lajeunepolitique.com/2012/07/08/the-post-hadopi-era-francois-hollandes-position-on-digital-issues.

[32] *See Dmitri Medvedev's Message to the G20 Leaders*, PRESIDENT OF RUSSIA (Nov. 3, 2011), http://eng.kremlin.ru/news/3018.

[33] *See News from the Library of Congress*, LIBRARY OF CONGRESS (Mar. 4, 2013), http://www.loc.gov/today/pr/2013/13-041.html.

accomplished, and how. Prescriptions are always harder than diagnosis—so let us start by examining recent successes, and what made them possible.

A. Forward Steps

There have in fact been a few green shoots in the desert — some areas of forward movement, where paralysis has been broken.

- At WIPO, starting in 2012, the international community moved forward after the ten-year hiatus I described, and finally adopted two new copyright treaties: the Beijing Treaty on Audiovisual Performances (2012) and the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled (2013).
- The United States has continued to conclude bilateral trade agreements, several of them between 2005 and 2012.
- Domestically, progress has been made by the private sector in seeking to curb online piracy. These include voluntary cross-industry initiatives such as the 2007 Principles for User Generated Content Services, and the 2011 Copyright Alert System addressing infringement over peer–to–peer file-sharing networks.[34] Other industries, notably online payment processors and advertising networks, have adopted sets of best practices to address websites dedicated to piracy.[35] The jury is still out on how effective each of these initiatives may be — the PTO is currently examining ways in which their impact can be evaluated.[36]
- The DMCA's triennial Library of Congress rule-makings have continued to establish exceptions to the prohibition on circumventing technical measures that protect copyrighted works.[37]

What were the factors that allowed progress in each of these areas? Several can be identified.

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[34] *See generally* GREEN PAPER, *supra* note 3, at 65-74.

[35] *Id.*

[36] *See* Request of the United States Patent and Trademark Office for Public Comments: Voluntary Best Practices Study, 78 Fed. Reg. 37, 210 (June 20, 2013).

[37] *See Section 1201 Exemptions to Prohibition Against Circumvention of Technological Measures Protecting Copyrighted Works*, COPYRIGHT.GOV, http://copyright.gov/1201/2012 (last visited Sept. 17, 2013). Since this speech was written, Congress has enacted legislation reversing the decision in the 2012 rulemaking not to continue a prior exemption for cell phone unlocking as applied to newly purchased phones, based on insufficient evidence. *See* Ezra Mechaber, *Here's How Cellphone Unblocking Became Legal*, WHITE HOUSE BLOG (Aug. 15, 2014), http://www.whitehouse.gov/blog/2014/08/15/heres-how-cell-phone-unlocking-became-legal. The reinstatement of the exemption was widely supported and not controversial.

The treaty negotiations dealt with subject matter of strong mutual interest. There were comparable stakes for all delegations, or arguably even higher for developing countries. All countries have film actors whose rights they would like to see protected when their performances are exploited abroad. All countries have significant populations of the visually impaired, and a desire to provide them with better access to books. For each negotiator, there was a perception of meaningful stakes and worthwhile trade-offs. In addition, there was clear public legitimacy in benefiting the classes to be protected, with support from all sides including civil society — and political downsides for governments in being blamed for failure. Finally, negotiations were eased by the fact that the treaty provisions were narrow in scope, by and large building on already-established norms.

The bilateral trade agreements continue to be driven by the impetus of economic benefits for the United States as well as our trading partners. While some of their IP provisions have been controversial, the copyright chapters are based on established U.S. law and the trade-offs they have entailed have not so far derailed negotiations.

As to the voluntary initiatives, there has been growing pressure — commercial and otherwise — to find solutions allowing the legitimate marketplace to flourish. Right holders and intermediaries of all types are increasingly aware of their overlapping self-interest — not least of all due to more intermediaries becoming producers or distributors of content themselves. What has brought them to the tipping point of taking action? Concern about potential liability or a desire to forestall legislation has often served as a goad, as has strong government encouragement, notably from the Office of the IP Enforcement Coordinator. Market relationships may also play a part.

Finally, the DMCA rule-making relies on a statutory framework for regulating the development of norms outside the constraints of the legislative process. This not only permits but requires progress to be made at regular intervals.

B. Defining Policy "Progress"

One basic question is how to define policy "progress." In my view, progress is not necessarily norm-setting through legislation or treaty. It can be achieved through "soft law" at the international level, such as recommendations or agreed principles, or through cooperative initiatives such as TIGAR — the proposed system facilitated by WIPO for cross-border exchange of accessible-format copies of books for the visually im-

paired.[38] Nationally, progress could be made through administrative regulation, cross-sectoral agreements, model codes or best practices, corporate policies, or changes in public perception. These developments do not occur in a vacuum—each may in turn affect the others. Public perception, for example, may shift in response to government statements, business behavior or the nature of market offerings.

Legislative solutions have several drawbacks. First, as I noted earlier, they usually take considerable time to achieve, and once adopted are difficult to change. They tend to be technology-specific and can become outmoded quickly. In today's environment, copyright bills can be easy to demonize and easy to block. And legislation can be harder to internationalize than other approaches, given differences in political and legal contexts in other countries, and the additional hurdles of international policymaking.

Nevertheless there will always be areas where binding norm-setting is necessary. This is true for example in cases of market failure, as represented in the United States by at least some exceptions as well as compulsory licenses (although the market failure of one era may find market solutions in another). Legislation is needed to establish or adjust the borders of property rights. Criminal enforcement and judicial interpretation clearly require legislative empowerment. Voluntary agreements may simply be unachievable, or may at some point need legislative back-up, as on their own they cannot bind outliers and could lead to competitive concerns. And at the international level, the provision of benefits through national treatment or reciprocity needs a public law basis. For example, recent private agreements by some companies to provide compensation for the broadcasting of sound recordings[39] may not be sufficient to trigger reciprocal payments to US performers of royalties collected in other countries.

C. Prescriptions

While there can be no panaceas, I would offer a few prescriptions that may help ease the path and enable some movement. They are based on incrementalism, pragmatism, directed self-interest, and public legitimacy.

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[38] *See Tigar System Overview*, WIPO (last modified June 3, 2014), https://www3.wipo.int/confluence/display/TS/TIGAR+System+Overview.

[39] *See Big Machine Label Group and Clear Channel Announce Groundbreaking Agreement to Enable Record Company and Its Artists to Participate in All Radio Revenue Streams and Accelerate Growth of Digital Radio*, IHEARTMEDIAINC (last visited Sept. 17, 2014), http://www.clearchannel.com/Pages/Big-Machine-Label-Group-and-Clear-Channel-Announce-Groundbreaking-Agreement-to-Enable-Record-Company-and-Its-Artists-to-Par.aspx.

First, I believe the best way to make progress is often to do so incrementally, and to address the immediate challenge at hand. Where there is an urgent problem, or a near-term result is available, we should seize the opportunity. It is worth moving forward in small steps. This does not, however, mean ruling out packages and trade-offs where they may be useful.

An example of the value of incrementalism in the international arena is the proposed WIPO broadcasting treaty. Discussions have taken place for years about the appropriate scope of the treaty, particularly with respect to new online services and uses. In order to break the logjam, the US has now suggested pursuing a scaled-back approach, that could address the central concerns of broadcasters without creating an additional layer of rights at the international level. Doing so would not provide everything that broadcasters want or match the level of protection already available in every jurisdiction — but it would avoid many pitfalls and concerns. We should focus on the art of the possible.

Similarly, the conclusion of the Marrakesh treaty would not have been possible had not countries agreed to separate out the issue of improved access to printed materials for the visually impaired from the broader range of exceptions and limitations, including with respect other types of disabilities.

Second, legislation will sometimes but not always be the best solution. We should be pragmatic in pursuing any approach that can make a difference. This may be particularly true in the areas of enforcement and licensing, but applies in other contexts as well. For example, the section 1201 rule-making has permitted more flexible responses to changed circumstances than legislation ever could. Elsewhere in the DMCA, problems have been raised by ISPs, right holders and public interest groups alike about aspects of the operation of the notice and takedown system.[40] While changes to the law might alleviate these problems, the system could also be significantly improved through agreements among its users on how they operate. Through the *Green Paper* process, we have therefore established a multistakeholder forum to develop a code of conduct toward that end.[41]

Third, a key to making progress is to identify and draw on mutual self-interest, often with a push from outside. The Copyright Alert System, negotiated at length among major ISPs and right holder groups and supported by the Administration, illustrates the potential for this type of posi-

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[40] *See generally* GREEN PAPER, *supra* note 3, at 56-58.

[41] *See Department of Commerce Multistakeholder Forum on Improving the Operation of the DMCA Notice and Takedown System*, UNITED STATES PATENT OFFICE (Mar. 13, 2014), *available at* http://www.uspto.gov/ip/global/copyrights/AGENDA_March-20_Multistakeholder_Forum-FINAL.pdf.

tive development. And the success of the DMCA multistakeholder forum will depend on a shared interest in lessening burdens for all sides.

Fourth, the path can be eased, and pitfalls avoided, by developing public legitimacy for policy goals. In an era of heightened public involvement and attention, this is essential for meaningful results. Both the public and private sectors have contributions to make here. Education and outreach efforts should lead to broader understanding and acceptance of proposed changes, and minimize suspicion or overreaction.

D. The Role of Government

What does this mean for the role of government? It is surely evolving, but will remain critical.

In the long run, the most effective role is likely to be as an enabler and facilitator. Legislation will always provide a framework, setting boundaries and guarding against abuse. But rather than the detailed codes that already exist in parts of the Copyright Act, something less prescriptive may be more useful in many circumstances. This can allow regulators or the private sector to put in place appropriate flexible and changeable mechanisms that operate against the backdrop of the law.

The government also has the ability to be a motivating force, whether through force of persuasion or the threat of taking action. This role has led to constructive results for example in developing a broadly-supported US position for the Beijing performances treaty, and in fostering voluntary initiatives. Even the convening of meetings where participants are expected to work together can lead to better communication and cooperation. We hope that the DMCA multistakeholder forum will provide an example.

In addition to these functions, the government serves as a guarantor of the public interest, and a protector of those without a strong voice at the table. It has the responsibility to ensure that public policy goals, including transparency and due process, are adequately respected as compromises are carved out among stakeholders. Pragmatism does not mean that important societal values can be neglected.

Equally important may be the government's role as data provider and neutral arbiter. This is especially true in the United States given the special role of the Copyright Office in its registration and recordation functions, as well as its administration of royalty systems. Additional service may be provided through the Office's newly-proposed small claims procedures.[42] These roles will likely increase in value as online licensing be-

[42] UNITED STATES COPYRIGHT OFFICE, COPYRIGHT SMALL CLAIMS, A Report of the Register of Copyrights (Sept. 30, 2013), *available at* http://www.copyright.gov/docs/smallclaims.

comes more and more prevalent. And while the private sector is already taking steps to provide comprehensive databases and licensing platforms, the government may be able to speed the development of links and interoperability among different creative sectors and jurisdictions. Over the past few years, the U.K. government has engaged stakeholders in a process of analyzing gaps in the online marketplace, and has fostered the establishment of a Copyright Hub to facilitate licensing.[43] The Green Paper poses the question of whether this or any other role for the US government would be advisable, and if so, how it should be structured.[44] We are considering possible ways forward on this issue, working with the Copyright Office, and taking into account the public input received so far.

V. CONCLUSION

Copyright policy debates will never be easy in today's complex and fast-changing environment, subject to so much public scrutiny. But gradual progress is happening, and should continue if we are creative in finding solutions. As the focus shifts from detailed legislation to a mix of flexible governmental and private sector approaches, and the online marketplace continues to mature, we may see the level of acrimony subside. In my view, a strong dose of pragmatism can significantly improve the health of the copyright policy environment.

[43] *See Welcome to the Copyright Hub*, COPYRIGHT HUB, http://www.copyrighthub.co.uk (last visited Sept. 17, 2014).

[44] GREEN PAPER, *supra* note 3, at 98-99.

PART II

ARTICLES

COPYRIGHT TRADITION IN LATIN AMERICA: FROM INDEPENDENCE TO INTERNATIONALIZATION

by ALBERTO J. CERDA SILVA*

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I. INTRODUCTION

Scholarship on the history of copyright in Latin America is extremely limited, particularly with regard to its development during the nineteenth century.[1] Although in recent years a new generation of scholars has tried to fill that gap, there is still widespread ignorance on the subject, which has reinforced different misconceptions around the evolution of copyright in the region. Some scholars have assumed that Latin American copyright lacks any peculiarity and distinctiveness from the European system. This view has been criticized as "the illusion of a harmonized evolution of the copyright system throughout the countries,"[2] that denies local identity, ex-

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[1] EUGENIA ROLDÁN VERA, THE BRITISH BOOK TRADE AND SPANISH AMERICAN INDEPENDENCE: EDUCATION AND KNOWLEDGE TRANSMISSION IN TRANSCONTINENTAL PERSPECTIVE, at ix (2003) (lamenting the still-precarious development of history of copyright in nineteenth century Latin America).

[2] JHONNY ANTONIO PABÓN CADAVID, DE LOS PRIVILEGIOS A LA PROPIEDAD INTELECTUAL: LA PROTECCIÓN EN COLOMBIA A LAS OBRAS LITERARIAS, ARTÍSTICAS Y CIENTÍFICAS EN EL SIGLO XIX, at 23 (2010); Jhonny Antonio Pabón Cadavid, *Aproximación a la Historia del Derecho de Autor:*

periences, and capacities. This misconception goes hand-in-hand with the tendency to see Latin American law as a mere deficient copy of European or American law.[3] Other authors assume that the region *"does not posses any legal tradition of protecting intellectual property rights"* and, therefore, that copyright has become an issue for the region only recently with the new wave of international agreements on the matter.[4] This narrative usually is connected with one that presupposes Latin American countries did not pay attention to the international implications of copyright,[5] and obstinately stayed away from international initiatives on the matter until recent years.

This article confronts the aforementioned misconceptions by briefly reviewing the evolution of copyright in Latin America. The first section of this article reviews the old tradition of Latin American countries protecting copyright, initially by domestic law. But because of the limitations of mere local protection, countries later built a regional copyright system based on several treaties, and this system is analyzed in the second section. Here, this system is named the Inter-American copyright system, because it was not limited to Latin American countries. In fact, the United States, which was one of its strong promoters, was also party to its leading instruments. Through the years, this system demonstrated more flexibility than the competing European copyright system based on the Berne Convention and its successive revisions, making accession to Berne hard for Latin American countries.

But having two parallel systems hinders achieving universal copyright protection for authors; this situation became aggravated by the middle of the twentieth century because of the devastating effects of the Second World War on Europe and the emerging decolonization of Africa and

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Antecedentes Normativos, 13 Revista La Propiedad Inmaterial 59, 60 (2009). *See, e.g.*, João Henrique da Rocha Fragoso, Direito de Autor e Copyright: Fundamentos Históricos e Sociológicos 195-99 (2012) (presuming an early division between copyright and authors' right traditions, and the uniformity of the latter around the Berne Convention).

[3] César Rodríguez G., *Un Nuevo Mapa para el Pensamiento Jurídico Latinoamericano*, *in* El Derecho en América Latina: Un Mapa para el Pensamiento Jurídico del Siglo XXI, at 12 (César Rodríguez G. ed., Siglo XXI ed. 2011).

[4] Edgardo Buscaglia & Clarisa Long, U.S. Foreign Policy and Intellectual Property Rights in Latin America 4 (1997) (affirming that assumption). *See also* Mónica Sánchez, *Piracy in Latin America: Panama Attempts to Curb Illegal Reprinting and Reproduction of Copyrighted Matter*, 2 Loy. Intell. Prop. & High Tech. L. Q. 30, 34 (1997) (talking about "an overall lack of protection of intellectual property and copyrights by Latin American governments.").

[5] Arcadio Plazas, Estudios sobre Derecho de Autor: Reforma Legal Colombiana 102-03 (1984).

Asia. As a result, countries worked on harmonizing differences between existing systems. The third section of this article describes this process of harmonization — actually, Europeanization — of international copyright law and particularly how Latin American countries became parties to the Berne Convention and subsequent instruments on copyright.

II. INITIAL DOMESTIC COPYRIGHT PROTECTION IN LATIN AMERICA

During the colonial period, Latin American economies were based on the exploitation of natural resources, such as mining and agriculture.[6] Land was assigned to colonizers, while indigenous peoples and slaves provided the workforce in the economy. Production satisfied domestic consumption, but a significant amount was sent to colonial metropolises in Spain and Portugal, which enforced strict trade controls on Latin American territory thanks to an extensive network of bureaucracy. The Spanish Crown's monopoly concentrated both the purchase of colonial goods and the selling of given products to overseas settlements.[7] A virtual monopoly was set forth on cultural matters too.[8] In spite of having some printing capacities, colonies were subject to censorship by the Catholic Church and the Crown,[9] even stronger than in Europe, which reduced printing to religious texts.[10] Printing was highly limited and colonies depended on Spanish publishers for nurturing cultural needs.[11] Later in the eighteenth

[6] PATRICE FRANKO, THE PUZZLE OF LATIN AMERICAN ECONOMIC DEVELOPMENT 37 (3d ed. 2007). *See also* D. A. Brading, *Bourbon Spain and Its American Empire*, *in* 1 THE CAMBRIDGE HISTORY OF LATIN AMERICA 389-439 (Leslie Bethell ed., 1984) (describing colonial trade between Spain and its colonies); Andrée Manzuy-Diniz Silva, *Portugal and Brazil: Imperial Reorganization: 1750–1808*, *in* 1 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra*, at 486-508 (describing Brazilian trading policy during last years of Portuguese Empire). *See also* BENJAMIN KEEN & KEITH HAYNES, A HISTORY OF LATIN AMERICA 85-90 (7th ed. 2004).

[7] KEEN & HAYNES, *supra* note 6, at 90-91.

[8] *Id.* at 143.

[9] *Id.* at at 147.

[10] Jacques Lafaye, *Literature and Intellectual Life in Colonial Spanish America*, *in* 2 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 663-704 (reviewing Spanish cultural policy in the Americas during the colony). *But see* Alamiro de Avila Martel, *La Impresión y Circulación de Libros en el Derecho Indiano*, 11 REVISTA CHILENA DE HISTORIA DEL DERECHO 189, 209 (1985) (arguing that legal constraints on printing and distributing books within the Americas were not harder but just the same as those adopted by the Spanish Crown for Castile).

[11] Lafaye, *supra* note 10, at 698 (stating that publishing remained rare in the Americas, being confined to Lima and Mexico City, which favored Spanish printing); Leslie Bethell, *A Note on Literature and Intellectual Life in Colonial Brazil*, *in* 2 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note

century, contraband books brought the Enlightenment's ideas to the new continent, which, eventually, cemented the path to independence.

After independence, unable to achieve Bolivar's dream of a single country, Spanish Latin America struggled in consolidating new nations, governments, and political regimes.[12] Brazilian transition to independence was noticeably postponed but pacific and quick in comparison with Spanish America.[13] Economically, after an initial postwar stagnation,[14] by the middle of the nineteenth century, Latin American countries had embraced Adam Smith's free trade and David Ricardo's comparative advantages theories,[15] by redoubling the efforts of their economies based on exploit-

6, at 705-07 (stating that in the case of Brazil, which first print arrived in 1808, books were published in Portugal).

12 William Glade, *Latin America and the International Economy: 1870–1914*, *in* 4 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 1-7 (analyzing Latin American political stabilization during the first half of nineteenth century and its effects on the region's economy); *see also* LAWRENCE A. CLAYTON & MICHAEL L. CONNIFF, A HISTORY OF MODERN LATIN AMERICA 72-107 (2d ed. 2005) (reviewing the Spanish Latin America search for political order between 1830–50); VICTOR BULMER-THOMAS, THE ECONOMIC HISTORY OF LATIN AMERICA SINCE INDEPENDENCE 19-45 (2d ed. 2003).

13 *Compare* Jaime Rodríguez, *The Process of Spanish American Independence*, *in* A COMPANION TO LATIN AMERICAN HISTORY 195-214 (Thomas H. Holloway ed., 2008) (describing Spanish America's revolution as a civil war followed by a war for independence and subsequent political restructuration) *with* Leslie Bethell, *The Independence of Brazil*, *in* 3 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 195; *see also* John Charles Chasteen, *Cautionary Tale: A Radical Priest, Nativist Agitation, and the Origin of Brazilian Civil Wars*, *in* RUMORS OF WAR: CIVIL CONFLICT IN NINETEENTH CENTURY LATIN AMERICA 16-21 (Rebecca Earle ed., 2000); THOMAS E. SKIDMORE, PETER H. SMITH & JAMES N. GREEN, MODERN LATIN AMERICA 27-36 (7th ed. 2010).

14 Tulio Halperín Donghi, *Economy and Society in Post-Independence Spanish America*, *in* 3 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 329-30 (stating that the third quarter of the nineteenth century was a transition from stagnation after independence to a period of growing exports that took place until the Great Depression); *but see* Aldo Lauria-Santiago, *Land, Labor, Production, and Trade: Nineteenth-Century Economic and Social Patterns*, *in* A COMPANION TO LATIN AMERICAN HISTORY, *supra* note 13, at 264-84 (advocating for revisionism on Latin American economic historiography on first half of nineteenth century, by rejecting stagnation and arguing that rural production and absence of national development strategies).

15 SKIDMORE ET AL., *supra* note 13, at 353-58 (referring to the period between 1880s–1920s as the "liberal era" of Latin America, in which "free trade and *laissez-faire* became the catchwords of the day" through the region).

ing natural resources.[16] It is no wonder why real estate rather than capital or knowledge, including intellectual property, was the main concern of lawmakers at the time. For instance, the influential civil codification by Andrés Bello, which was adopted by several countries within the region,[17] did not regulate authors' rights and barely referred to subsequent regulation of literary property.[18] However, even if not a primary concern, copyright protection has a long tradition in Latin American countries, and its roots can be traced to the early days of their independence, when countries provided both constitutional and legal protections.

Latin American countries adopted constitutions once their independence from colonial masters was consolidated. Copyright clauses were included in these constitutions, despite the limited printing capabilities in the region.[19] In some cases, following the U.S. Constitution,[20] constitu-

16 *See* GLADE, *supra* note 12, at 9-19 (describing the exporting sector of Latin American countries between 1870 and the First World War, which was mainly based on agriculture and mining); *see also* Warren Dean, *The Brazilian Economy: 1870–1930*, *in* 5 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 693-700 (reviewing the period of "apogee of export orientation in Brazilian economic history" based on agriculture production, but essentially on coffee); TERESA A. MEADE, A HISTORY OF MODERN LATIN AMERICA: 1800 TO THE PRESENT 103-33 (2010) (analyzing free trade policies through the region in the nineteenth century and arguing that a combination of monoculture and an export-led economy were the guiding engines of economic development from colonialism to a new form of economic control known as neocolonialism). *Similarly* KEEN & HAYNES, *supra* note 6, at 217-20 (referring to British and later American neocolonialism over Latin America through the nineteenth century); SKIDMORE ET AL., *supra* note 13, at 37-40.

17 *See* IVAN JAKSIC A. & ANDRÉS BELLO: LA PASIÓN POR EL ORDEN 226-29 (3d. ed. 2011) (reporting the extent of adoption and influence of Bello's Civil Code through Latin America).

18 Civil Code Chile art. 584 (recognizing authors' property on their creations, but referring its regulation to "special laws"); *see also* Andrés Bello, *Derechos de Autores*, *in* 7 ANDRÉS BELLO, OBRAS COMPLETAS 467-74 (Ed. Nascimento, 1932) (1848) (advocating for introducing improvements in the 1834 copyright act based on experience of comparative law).

19 *See* JOSÉ TORIBIO MEDINA, LA HISTORIA DE LA IMPRENTA EN LOS ANTIGUOS DOMINIOS ESPAÑOLES DE AMÉRICA Y OCEANÍA (1958) (providing extensive research about printing during the Spanish colonial era in Latin America, which was limited to satisfy ecclesiastical and governmental needs, except in the case of Mexico); *see also* BOOKS BETWEEN EUROPE AND THE AMERICAS: CONNECTIONS AND COMMUNITIES, 1620–1860 (Leslie Howsam & James Raven eds., 2011) (enlightening the intense trade of books from Europe to the Americas, including novels to Brazilian market, and handbooks on education to Spanish Latin America).

20 U.S. CONST., art. I, § 8, cl. 8. (stating that "[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").

tions referred to the legislature for a decision on the matter, as in the 1824 Constitution of Mexico[21] and the 1819 Constitution of Argentina.[22] Other countries initially adopted similar clauses but later embraced the French philosophy of author's rights.[23] This was the case in the 1828 Constitution of Peru,[24] but its 1856 Constitution granted to authors exclusive property rights and required legislative action for implementing law.[25] Similarly, an early draft of the 1833 Constitution of Chile followed the U.S. Constitution,[26] but eventually property rights were granted to authors according to

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21 CONSTITUCIÓN FEDERAL DE LOS ESTADOS UNIDOS MEXICANOS, Oct. 4, 1824, art. 50 (providing that "[t]he Congress has exclusive power for. . . promoting enlightenment by assuring for a limited term exclusive rights to authors for their works. . .".); *see* EMILIO O. RABASA, HISTORIA DE LAS CONSTITUCIONES MEXICANAS 15 (2000) (explaining the similarities between the U.S. and the Mexican constitutions, by saying that the 1824 Constitution of Mexico was a "copy and synthesis of the 1787 U.S. Constitution and the 1812 Constitution of Spain"); FERNANDO SERRANO MIGALLÓN, NUEVA LEY FEDERAL DEL DERECHO DE AUTOR 38-39 (1998) (noticing that no explicit mention of copyright exists in the 1836 and 1857 Constitutions, it only appears in the 1917 Constitution); MARIANO JOSÉ NORIEGA, LA PROPIEDAD LITERARIA Y CASO JURÍDICO 7-8 (1907) (observing that, unlike the constitution, the Mexican copyright act followed a more conservative approach, by granting exclusive, absolute, and perpetual rights to authors, with analogous powers to those granted to proprietors in Roman law, that is granting *jus utendi, fruendi et abutendi.*); *see also* TELESFORO A. OCAMPO, DOS PROBLEMAS JURÍDICOS EN MATERIA DE PROPIEDAD LITERARIA, 13-17 (1900) (calling attention that the Mexican copyright act limited exclusive rights to reproduction, however).

22 CONSTITUCIÓN DE LAS PROVINCIAS UNIDAS DE SUDAMÉRICA, Apr. 22, 1819, art. 44 (stating as a power of the Congress "assuring to authors and inventors exclusive privilege for a given term"). *See* E.S. ZEBALLOS, LA LÉGISLATION SUR LA PROPRIÉTÉ LITTÉRAIRE DANS LA RÉPUBLIQUE ARGENTINE 1-2 (1911) (mentioning that from the 1819 Constitution, constitutional protection for copyright passed to the 1826 Constitution and later to the 1853 Constitution).

23 Jane C. Ginsburg, *A Tale of Two Copyrights: Literary Property in Revolutionary France and America*, 64 TUL. L. REV. 991 (1990).

24 CONSTITUCIÓN POLÍTICA DE LA REPÚBLICA PERUANA 1828, Mar. 18, 1828, art. 48(19) (providing that "[t]he Congress has the power for granting patents for a given term to authors that introduce any invention or useful improvement into the Republic.").

25 CONSTITUCIÓN DE LA REPÚBLICA PERUANA, DADA EL 13 DE OCTUBRE DE 1856 Y PROMULGADA EN 19 DEL MISMO MES art. 27 (mandating legislative intervention by setting forth that: "[t]he law shall assure to authors or introducers of useful inventions exclusive property on them, or compensation for their value if are required to publish them.").

26 Camilo Mirosevic Verdugo, *Origen y Evolución del Derecho de Autor: Con Especial Referencia al Derecho Chileno*, 28 REVISTA DE DERECHO DE LA PONTIFICIA UNIVERSIDAD CATÓLICA DE VALPARAÍSO 35, 64-65 (2007) (stating that early draft of the 1833 Constitution of Chile was influenced by

the continental author's rights viewpoint,[27] which persists to today.[28] Venezuela has recognized copyright since its 1830 Constitution,[29] by following the author's rights approach too.[30] In the intense constitutional life of post-independence years in Colombia, it is possible to find early references to intellectual property protection,[31] but only the 1858 Constitution referred expressly to copyright by conferring to the President the faculty to grant protection.[32] Unlike other Latin American countries, Brazil did not provide constitutional protection to copyright until the end of nineteenth century, but, instead, relied on criminal law.[33]

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the American constitutionalism on copyright through the 1824 Mexican Constitution, but later the continental viewpoint of the author's rights prevailed).

27 Constitución Política de la República de Chile, D.O. May 25, 1833 art. 152 (granting right to authors by stating that: "any author or inventor shall have the exclusive property on his discovery or production for the time granted by law; and, if it requires publication, inventor shall be properly compensated.").

28 Camilo Mirosevic Verdugo, *supra* note 26, at 65-77 (noting the continued adherence to the author's rights approach in the Chilean constitutions of 1833, 1925, and 1980).

29 Constitución del Estado de Venezuela de 1830 arts. 161, 217 (providing that "[a]ll inventors shall have the property of their discoveries and their productions. The law shall grant a temporaly privilege or compensate its loss in case of publishing," and allocating power for providing copyright protection).

30 José Rafael Fariñas Diaz, *La Protección Constitucional de la Propiedad Intelectual en Venezuela*, 12 Revista Propiedad Intelectual 10, 14 (2009) (arguing that even when the constitution seemed to refer only to inventors, it also protected authors, because of the words production and publication that are normally related to creative works); *see also* Ricardo Antequera, Consideraciones sobre el Derecho de Autor: Especial Referencia a la Legislación Venezolana 20 (1977).

31 *See* Daniel Peña & María Catalina Carmona, Intellectual Property Law in Colombia 23 (2011); E. Rengifo García, Propiedad Intelectual: El Moderno Derecho de Autor 25 (1996) (dating some early constitutional references back to 1811).

32 Constitución Política para la Confederación Granadina, Bogotá, 29 de mayo de 1858 art. 43, no. 14 (providing that: "The President of the Confederation has the power for: . . . 14) conferring a patent by granting for a given term property on literary production of useful invention applicable to new industrial operations, or to improvement of already in existence, to authors of those production and inventions.").

33 Pedro Mizukami, Função Social da Propriedade Intelectual: Compartilhamento de Arquivos e Direitos Autorais na CF/88, at 286-90 (2007) (dating first Brazilian legislative action on copyright in 1827 and reporting domestic regulation focused on criminal rather than civil enforcement, while constitutional recognition took place just in 1891); *see also* Pedro Paranagua & Sérgio Branco, Direitos Autorais 18-20 (2009); Pedro Mizukami, Ronaldo Lemos, Bruno Magrani & Carlos Af-

Giving constitutional protection to copyright was extremely useful. It allowed courts to overcome loopholes in legislation then in force by providing protection when law was insufficient.[34] For instance, in the case of *Hernández v. Barbieri Hermanos*, in spite of the absence of any applicable law, the Supreme Court of Justice of Argentina granted economic compensation in favor of the plaintiff, the writer José Hernández, on the theory that unauthorized copies by defendants of his masterpiece *Martin Fierro*, the pinnacle of nineteenth-century Argentinean poetry, infringed his constitutional copyright.[35] In other words, in the absence of law, constitutional clauses provided protection. But, as the early adoption of legislation on the matter proves, constitutional copyright clauses also called for legislative attention in order to specify the scope of that protection.

In addition to constitutional recognition, several Latin American countries adopted systematic copyright legislation.[36] Initially, new countries continued using the law of their colonial masters,[37] but progressively domestic law replaced colonial rules.[38] For instance, Mexico applied

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fonso Pereira de Souza, *Exceptions and Limitations to Copyright in Brazil: A Call for Reform*, *in* ACCESS TO KNOWLEDGE IN BRAZIL 42-48 (Lea Shaver ed., 2010) (arguing that current excessive criminal enforcement of copyright in Brazil has historical roots in nineteenth century, when the 1830 criminal code provided protection to copyright).

[34] *See* HORACIO F. RODRÍGUEZ, PROPIEDAD ARTÍSTICA Y LITERARIA 35-36 (1929) (referring to several cases in which copyright protection was granted through constitutional provisions, despite lacking copyright act).

[35] Corte Suprema de Justicia de la Nación [CSJN] [National Supreme Court of Justice], 24/11/1885, "Hernández v. Barbieri Hermanos," Fallos XXIX, 148) (Arg.). *See* CARLOS BAIRES, LA PROPIEDAD LITERARIA Y ARTÍSTICA EN LA REPÚBLICA ARGENTINA 19-26, 55-87 (1897) (providing analysis of the constitutional protection of copyright in Argentina, as well as local case law on the matter).

[36] PABÓN CADAVID, *supra* note 2, at 82-88 (documenting the protection of copyright in Latin America during the first half of the nineteenth century and stating that copyright law was developed only in Colombia, Chile, Venezuela, Peru, and Mexico).

[37] SERGIO MARTINEZ BAEZA, EL LIBRO EN CHILE 28-35 (1982) (reporting on colonial law applicable to printing and commercialization of books in Latin America under Spanish control).

[38] ÁNGEL R. OQUENDO, LATIN AMERICAN LAW 114 (2006) (stating that "the new nations preserved Spanish and Portuguese private law, respectively, until they completed the protracted process of codification."); MATTHEW C. MIROW, LATIN AMERICAN LAW: A HISTORY OF PRIVATE LAW AND INSTITUTIONS IN SPANISH AMERICA 125-31 (2004) (discussing continuing usage of colonial material by new countries until mid nineteenth century, when codification changed the sources of law). *See also* JAKSIC, *supra* note 17, at 207 et seq. (referring to the slow process of substitution of colonial rules by new laws in Chile after its independence); and, Ramiro Rodríguez, *El Derecho de Autor en Colombia desde una Perspectiva Humanista*, 30 REVISTA

Spanish regulation until 1846 when it adopted its own copyright regulation,[39] after a boisterous case that tested the inefficacy of colonial rules.[40] Other countries approved domestic laws sooner; this was the case in Chile (1834),[41] Colombia (1834),[42] Venezuela (1839),[43] and Peru (1849).[44] Most Latin American countries approved copyright law later in the nineteenth century, however. In general, copyright law provided to domestic authors exclusive rights of printing of registered works for a short term after the publication of the work and compliance with legal formalities, such as registration and deposit.

Countries that did not have systematic copyright law still provided protection. Brazil, for instance, adopted its first copyright act in 1898, but, since 1830, criminal law provided some protection.[45] Argentina is probably the most extreme case within this group, because through that century it lacked a systematic regulation and had only fragmentary protection until adopting its 1910 copyright act,[46] which caused some authors to wrongly

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Prolegómenos: Derechos y Valores 141, 146 (2012) (referring to the survival of Spanish law in Colombia, even after its independence).

39 Manuel Mateos Alarcón, Estudios sobre la Propiedad Literaria, Dramática y Artística 9-10 (Imprenta de Francisco Díaz de León 1887) (stating that even after its independence, Mexico continued under the colonial copyright regime until December 3, 1846, when the law on intellectual property was promulgated). *See also* Serrano Migallón, *supra* note 21, at 39-41.

40 *See* Pabón Cadavid, *supra* note 2, at 81-82.

41 Ley de Propiedad Literaria y Artística [Law on Intellectual and Artistic Property], Diario El Araucano, 24 de Julio de 1834 (Chile). *See* Alejandro Guzmán Brito, *Los Derechos sobre las Cosas Intelectuales o Producciones del Talento y del Ingenio*, *in* Alejandro Guzmán Brito, Estudios Dogmáticos de Derecho Civil 58 (2005).

42 Ley de 10 de mayo de 1834, que asegura por cierto tiempo la propiedad de las producciones literarias y algunas otras [Law that assures a certain temporary protection to property on literary works and some other material] (Colom.). *See* Pabón Cadavid, *supra* note 2, at 91-118 (providing a more detailed analysis on the development of copyright in Colombia through the nineteenth century).

43 Ley 19 de abril de 1939 asegurado la propiedad de las producciones literarias [Law that assures property on literary works] (Venez.).

44 Ley de Propiedad Intelectual [Law on Intellectual Property], 3 de noviembre de 1849 (Peru).

45 Mizukami, *supra* note 33, at 287-88 (providing a detailed description of Brazilian criminal copyright law during nineteenth century).

46 *See* Zeballos, *supra* note 22, at 1-7 (reviewing the historic background of the 1910 copyright law, which became the first Argentinean law providing a systematic regulation on the matter); *see also* José Bellido, *Montevideo vs Berne: The Rise of an Interpretation in International Copyright (1888–1898)*, 229 Rev. Int'l du Droit d'Auteur 5, 93-98 (2011) (linking the adoption of copyright act by Argentina with shameful comments made by former

assert that the country lacked copyright protection.[47] Absence of a coherent copyright law, however, limited protection to outrageous circumstances and created some legal uncertainty.[48]

During the nineteenth century, Latin American countries not only advanced constitutional and legal protections to copyright, they also transitioned from a regime of privileges to a consolidated one of rights deeply tied to natural law.[49] Most scholars within the region did not see any difference between property rights concerning tangible goods and so-called literary property, but temporary limitations were barely accepted because of overriding practical social interests.[50] By the end of the century, however, scholars had adopted more comprehensive concepts for referring to this field of the law, such as intellectual property or author's rights,[51] concepts that still prevail in Latin American scholarship.

French Prime Minister Clemenceau about his surprise that Argentina lacked that regulation). For previous regulations, bills, and international instruments applicable in Argentina, see ERNESTO QUESADA, LA PROPIEDAD INTELECTUAL EN EL DERECHO COMPARADO, at 132-231 (Librería de J. Menéndez, 1904).

47 CARLOS M. RAMA, HISTORIA DE LAS RELACIONES CULTURALES ENTRE ESPAÑA Y LA AMÉRICA LATINA: SIGLO XIX, at 176 (1982) (stating that copyright was not recognized by Argentina, even for its own inhabitants until 1888, when Spanish writer Justo S. López de Gómara got it for his play *El Submarino Peral*).

48 BERTHOLD SINGER, COPYRIGHT LAWS OF THE WORLD 7 (1909) (stating the absence of a specific copyright act, but a constitutional protection, and some uncertainty that it created on the duration, scope, and beneficiaries of copyright). *See also* BAIRES, *supra* note 35, at 19-53 (reviewing the Argentinean copyright legal framework, which included provisions from the constitution and civil codification, among others).

49 José Victorino Lastarria, *Constitución de Chile Comentada*, *in* 1 JOSÉ VICTORINO LASTARRIA, OBRAS COMPLETAS: ESTUDIOS POLÍTICOS I CONSTITUCIONALES, 455-60 (1906) (1856) (arguing about natural law and literary property, its distinction from privileges, and its perpetual duration); Vicente Reyes, *La Propiedad Literaria*, 15 ANALES DE LA UNIVERSIDAD DE CHILE 332 (1857); BAIRES, *supra* note 35, at 22 and 25.

50 *Id.* *See also* JOSÉ MANUEL MESTRE, DE LA PROPIEDAD INTELECTUAL (La Antilla 1863).

51 MESTRE, *supra* note 50 (referring to a comprehensive intellectual property); CALIXTO OYUELA, ESTUDIOS Y ARTÍCULOS LITERARIOS 397-502 (Impr. de Pablo E. Coni é Hijos 1889) (discussing the theoretical foundations of authors' rights); SAMUEL MARTINS, DIREITO AUTORAL 17 et seq. (1906), (criticizing the usage of the wording "literary property" through most of the nineteenth-century in Brazilian bills on copyright and, instead, using authors' rights). Recently, Jhonny Pabón has broadly documented the slow transition from privileges to intellectual property in nineteen-century Colombia. *See* PABÓN CADAVID, *supra* note 2.

Normative and theoretical developments of copyright in Latin America, however, contrast with the limited capacities of countries during that period for producing copyrighted material. On one hand, local publishing was scant,[52] and works by Latin American scholars were barely accessible within the region.[53] On the other hand, there were few bookstores, and they mainly sold books printed overseas and sold them at extremely high prices.[54] Several reasons may explain the discouraging state of these affairs in the region, such as restrictions on communications and transport, the lack of local production of paper and other printing supplies, and the limited size of each local market, among others. Since the middle of the nineteenth century, scholars foresaw the need for advancing protection beyond national frontiers in order to promote progress in literature and science, although they warned of the relative inconvenience of protecting more developed foreign publishing industries.[55]

Early domestic copyright law in Latin America, like elsewhere, only provided protection to nationals or inhabitants within national frontiers.[56]

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[52] RECAREDO TORNERO, CHILE ILUSTRADO 99-100 (Librerías i Agencias de El Mercurio 1872) (stating that printing was an "industry that never had development and prosperity" in Chile and was limited to serve the government, the church, and political parties).

[53] Guillermo Matta, *Revista Literaria Américana*, EL AMERICANO, Apr. 28, 1873, at 1 (congratulating the subscription of treaties on literary interchange between Colombia and Chile, and encouraging other Latin American countries to intensify those kind of agreements in order to overcome the lack of access to and knowledge about local works within countries in the same region). *See also* ANTONIO MIGUEL ALCOVER, LOS LIBROS DE PRODUCCIÓN LATINO-AMERICANA 5-10 (1912) (lamenting the limited number of publications and deficiencies on the interchange of books within the region).

[54] TORNERO, *supra* note 52, at 190; MARTINEZ BAEZA, *supra* note 37, at 149-152. *See also* JOSÉ VICTORINO LASTARRIA, RECUERDOS LITERARIOST 38 (2001) (1878) (complaining about the reduced numbers of libraries and the high cost of books).

[55] Domingo Faustino Sarmiento, *Legislación sobre Imprenta como Industria*, EL PROGRESO, Nov. 16, 19, 20, 1844, *in* 10 OBRAS DE DOMINGO FAUSTINO SARMIENTO 59-68 (Mariano Moreno 1896) (foreseeing the need for rules of international law to prevent copyright abuses, although calling for flexibilities to facilitate translation into Spanish and the compilation of works, by proposing a series of protectionist measures); REYES, *supra* note 49, at 341-42 (expressing concern for international protection of copyright, although recognizing "its inconvenience" because of the unbalanced production and interchange with foreign powers); BAIRES, *supra* note 35, at 98-122 (calling attention to balancing justice and convenience by providing certain protection to foreign authors, but including protective measures that would allow the meeting of local needs).

[56] ALISON RUKAVINA, THE DEVELOPMENT OF THE INTERNATIONAL BOOK TRADE, 1870–1895: TANGLED NETWORKS 57 (2010) (stating that "countries

It was not an exclusive restriction of copyright law, but a common limitation for domestic law based on sovereignty of states. Even if a country granted rights to foreign authors, it could not guarantee similar protection for its nationals overseas. Moreover, having protection only for nationals allowed importation of books in Spanish to Latin American countries, mainly coming from the United States and France,[57] countries that did not provide protection for exporting material, a phenomenon known as *"situational piracy"* because behavior legalized under one law is outlawed overseas.[58] This was highly important having in mind the limited manufacturing capacities of the region.[59]

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developed copyright law that protected 'their own citizens' in the first half of the nineteenth century, not until much later in the century did a few countries enact laws that protected the rights of foreign authors in local markets".). *See also* PABÓN CADAVID, *supra* note 2, at 83-85 (mentioning that protection to foreign authors was a feature of copyright law developed in the second half of the nineteenth century, mainly in Europe).

[57] *See* AUBERT J. CLARK, THE MOVEMENT FOR INTERNATIONAL COPYRIGHT IN NINETEENTH CENTURY AMERICA 39 (1973) (referring to pirated American editions of Spanish books sent to South America); Pura Fernández, *En torno a la Edición Fraudulenta de Impresos Españoles en Francia: la Convención Literaria Hispano-Francesa (1853)*, *in* ESTUDIOS DE LITERATURA ESPAÑOLA DE LOS SIGLOS XIX Y XX, at 200-09 (1998) (describing the market of pirated Spanish books published by French publishers, and the role of that trafficking in providing content to Latin America and tailoring the copyright relations between Spain and France). *Similarly* PABÓN CADAVID, *supra* note 2, at 85-90; *see also* Zorina Khan, *La Piratería de Derechos de Autor y el Desarrollo: Evidencia de los Estados Unidos en el Siglo XIX*, 17 REVISTA DE ECONOMÍA INSTITUCIONAL 21 (2007) (reviewing nineteenth century piracy in the U.S. as a mechanism for development by emphasizing the relative benefits of piracy on foreign material and positive effects on authors, publishers, and the public in general through that century).

[58] Bodó Balázs, *Coda: A Short History of Book Piracy*, *in* MEDIA PIRACY IN EMERGING ECONOMIES 399, 408 (Joe Karaganis ed., 2011). *See also* Adrian Johns, *Language, Practice, and History*, *in* COPYRIGHT AND PIRACY: AN INTERDISCIPLINARY CRITIQUE 44-52 (Lionel Bently, Jennifer Davis & Jane C. Ginsburg eds., 2010) (highlighting the evolving meaning of "piracy" not from a legal, but from an historical viewpoint in the context of book trade between the seventeenth and nineteenth century); PETER DRAHOS & JOHN BRAITHWAITE, INFORMATION FEUDALISM: WHO OWNS THE KNOWLEDGE ECONOMY? 23-32 (2002) (arguing, based on historical evidence, that piracy is rather than a precise legal wording a "particularly effective rhetorical tool" and a "customary practice in which all participate," particularly in the international trade of books).

[59] 2 THE BOOK TRADE OF THE WORLD: THE AMERICAS, AUSTRALIA, NEW ZEALAND 11-12 (Sigfred Taubert ed., 1976) (referring to the historical dependency of Latin American countries from book exportation, a still on-going phenomenon within the region). ELENA ENRÍQUEZ FUENTES, EL COMERCIO DE LIBROS ENTRE ESPAÑA Y AMÉRICA LATINA: DISONANCIA EN LA

To achieve protection beyond their borders, countries signed treaties offering reciprocity, that is, extending copyright protection to another's nationals in exchange for analogous benefit for its own nationals. However, young Latin American nations did not have numerous treaties,[60] unlike Europe, where an extensive network of treaties attempted to provide cross-border protection to authors.[61] Treaties granting reciprocity were not a long-term solution because of their technical and diplomatic complexities, highly dissimilar scope, and absence of a common standard of protection. It was necessary to achieve some international harmonization that guaranteed similar levels of protection to authors whatever their nationality, residence, or place of publication.

III. LATIN AMERICA UNDER THE INTER AMERICAN COPYRIGHT SYSTEM

By the end of the nineteenth century, two competing systems attempted to achieve cross-border protection for copyright: the European one, based on the Berne Convention and its successive revisions, and the Inter-American one, based on the Montevideo Treaty and several other instruments signed by countries of the Americas.

RECIPROCIDAD 16 (2008) (reporting in an extended study that Latin America buys fifty times more books from Spain than it does from the whole region, making Spain the second main importer of books to the region, only surpassed by U.S. importations).

60 In relative terms, lacking reciprocal treaties was not a problem for Latin America as primarily importing-work countries; in fact, it allowed nascent independent countries to profit from the cultural production of their former colonial masters. *See* LUIS DE ANSORENA, TRATADO DE LA PROPIEDAD INTELECTUAL EN ESPAÑA 244-45 (1894) (complaining about the lack of copyright treaties between Spain and its former colonies, and the impossibility of retaliating against them by reproducing works from their nationals because of the absence of publications there).

61 *Compare* DE ANSORENA, *supra* note 60, at 243; ANTONIO GARCIA LLANSÓ, MANUAL DE LA PROPIEDAD INTELECTUAL 404-49 (1901) (referring to the numerous treaties signed by Spain before the adoption of the Berne Convention, including treaties with: France, Belgium, Italy, Portugal, and the United Kingdom (1880); El Salvador (1884); and Colombia (1885). Later, Spain concluded similar treaties with: the U.S. (1890); Guatemala and Costa Rica (1893), Mexico (1895), and Argentina and Paraguay (1900)) *with* LA PROTECCIÓN DE LOS DERECHOS DE AUTOR EN EL SISTEMA INTERAMERICANO 38-39 (1998) (listing the few treaties on copyright signed by Latin American countries). Starting in the middle of the nineteenth century, Spain signed agreements with several European countries in order to prevent pirate editions of Spanish works flooding the Latin American market. *See* FERNÁNDEZ, *supra* note 57, at 200-09 (providing background on the 1853 treaty on copyright signed by Spain and France).

In 1886, European countries agreed to provide a common minimum legal standard of protection for copyrighted works through the adoption of the Berne Convention for the Protection of Literary and Artistic Works.[62] The Convention created a Union of countries that would provide copyright protection to authors and publishers of any literary, scientific, or artistic work from one of the party countries.[63] Protection was based on national treatment; therefore, a foreign author would enjoy the same rights that domestic law provided to domestic authors, except on the term of protection, which could not exceed that provided in the country of origin.[64] However, protection was subject to compliance with requirements and formalities set forth by the domestic law of the country of origin of the work;[65] therefore, registration could still be necessary, as was the case in France, Spain, and Portugal.[66] In spite of being negotiated by just a handful of countries, the Berne Convention was explicitly open to its accession by other countries, such as Europe's former colonies.[67]

Successive revisions of the Berne Convention extended copyright, but did not provide enough flexibility for meeting public interest needs. The 1908 Berlin revision is probably the most influential revision[68] since it abrogated any formalities for achieving copyright protection (e.g., registration, deposit, and copyright notice) by setting forth a system of automatic

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62 Berne Convention for the Protection of Literary and Artistic Works, as adopted at Berne, Switzerland, Sept. 9, 1886 [hereinafter Berne Convention – Berne Act].

63 *Id.* arts. 1-4.

64 *Id.* art. 2.

65 *Id.* art. 2.

66 As a matter of fact, formalities were in force during all of the nineteenth century in Europe, but progressively tempered, and eventually abrogated only in the twentieth century, not because of philosophical reason based on *droit d'auteur*, but for practical ones, that is freeing right holders from a multitude of formalities in order to achieve protection in different countries. *See* Stef van Gompel, *Les Formalités Sont Mortes, Vive les Formalités! Copyright Formalities and the Reasons for their Decline in Nineteenth Century Europe*, *in* PRIVILEGE AND PROPERTY: ESSAYS ON THE HISTORY OF COPYRIGHT 157-206 (Ronan Deazley, Martin Kretschmer & Lionel Bently eds., 2010) (documenting his analysis with copyright laws from France, Germany, the Netherlands, and the United Kingdom); *see also* MANUEL DANVILA Y COLLADO, LA PROPIEDAD INTELECTUAL: LEGISLACIÓN ESPAÑOLA Y EXTRANJERA 743-877 (Imprenta de la Correspondencia 1882) (providing a extensive description of foreign copyright law, particularly on the then-required formalities for achieving protection in Italy, Portugal, and Spain, among other countries).

67 Berne Convention – Berne Act, *supra* note 62, arts. 18, 19.

68 Berne Convention for the Protection of Literary and Artistic Works, as revised at Berlin, Germany, Nov. 13, 1908 [hereinafter Berne Convention – Berlin Act].

protection.[69] The Berlin version also set forth a minimum term of protection —the life of the author plus fifty years post mortem[70] — which became mandatory in the 1948 Brussels Act.[71] Moral rights of authorship and integrity were also recognized with the signing of the 1928 Rome Act.[72] Flexibilities allowing the use of works without a copyright holder's authorization, on the other hand, were mainly referred to the domestic law of the parties.[73] As a result, by the middle of the last century, the Berne Convention had created an automatic system of copyright protection that granted a catalog of exclusive economic and moral rights to authors of any works for their lives plus fifty years.

The Berne Convention was an initiative of "civilized countries," as the invitation of the Swiss government said, to achieve international protection for copyright.[74] In fact, its parties were Switzerland and the main colonial masters of the time: Belgium, France, Germany, Italy, Spain, and the United Kingdom. It is true that some non-European countries (i.e., Haiti, Liberia, and Tunisia) also were parties to the Convention; however, their participation was under their colonial status and intended to fortify the French position.[75] As a result, the Convention reflected the interests of those countries in achieving an adequate level of protection, particularly with respect to their potential colonial markets.

Countries from the Americas did not accede to the Berne Convention but instead worked on a parallel system of international copyright protec-

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[69] *Id.* art. 4. Strictly speaking, the Berne Convention does not require abrogating formalities in domestic law, but omits them for the purpose of providing protection to authors of third countries, thus is, it allows formalities in the country of origin; however, for obvious reasons, countries choose to abolish formalities for authors. *See* VAN GOMPEL, *supra* note 66, at 203; *but see* Stephen P. Ladas, *Inter-American Copyright*, 7 U. PITT. L. REV. 284, 288 (1941) (suggesting, wrongly, that formalities were abrogated in 1886, and mentioning mistaken examples of countries that had abrogated formalities from their domestic law, including Argentina and Brazil at the time).

[70] Berne Convention – Berlin Act, *supra* note 68, art. 7.

[71] Berne Convention for the Protection of Literary and Artistic Works, as revised at Brussels, Belgium, Jun. 26, 1948, art. 7 [hereinafter Berne Convention – Brussels Act].

[72] Berne Convention for the Protection of Literary and Artistic Works, revised at Rome, Italy, Jun. 2, 1928, art. 6*bis* [*hereinafter* Berne Convention – Rome Act].

[73] *See* Berne Convention – Berne Act, *supra* note 62, arts. 7-8; Berne Convention – Berlin Act, *supra* note 68, arts. 9-10; Berne Convention – Rome Act, *supra* note 72, arts. 9-10; Berne Convention – Brussels Act, *supra* note 71, arts. 10-10*bis*.

[74] Ulrich Uchtenhagen, *Acerca de la Historia de las Convenciones de Derechos de Autor Latinoamericanas*, *in* LA PROTECCIÓN DE LOS DERECHOS DE AUTOR EN EL SISTEMA INTERAMERICANO, *supra* note 61, at 74.

[75] Uchtenhagen, *supra* note 74, at 80.

tion by adopting a regional regime: the Inter-American copyright system.[76] This process started in 1889 with the adoption of the Montevideo Treaty,[77] which recognized several exclusive economic rights on a broader category of works.[78] Parties provided protection to authors from another party country according to the domestic law of their country of origin (*lex loci originis*).[79] However, the term of protection was a discretionary decision of the parties and could be limited to the shortest term provided by the country of origin.[80] Unlike the Berne Convention, the Montevideo Treaty did not create a Union and, therefore, its accession by other countries required acceptance by existing parties to the treaty.[81]

Documentation does not specify the exact reasons why countries of the Americas rejected becoming parties to the Berne Convention and, instead, adopted their own regional system. It was not an attempt to deny rights to authors, which in fact were already recognized in several constitutions and regulations within the region.[82] Moreover, in several respects the protection provided by the Montevideo Treaty exceeded that provided

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[76] For leading scholarship on the Inter-American copyright system, see MANUEL CANYES, PAUL A. COLBORN & LUIS GUILLERMO PIAZZA, COPYRIGHT PROTECTION IN THE AMERICAS UNDER NATIONAL LEGISLATION AND INTER-AMERICAN TREATIES (1950); WENZEL GOLDBAUM, CONVENCIÓN DE WASHINGTON SOBRE EL DERECHO DE AUTOR EN OBRAS LITERARIAS, CIENTÍFICAS Y ARTÍSTICAS: ESTUDIO SISTEMATIZADO Y COMENTARIOS (1954); 1 STEPHEN P. LADAS, THE INTERNATIONAL PROTECTION OF LITERARY AD ARTISTIC PROPERTY 633-79 (1938); LA PROTECCIÓN DE LOS DERECHOS DE AUTOR EN EL SISTEMA INTERAMERICANO, *supra* note 61; *see also* Annexes, Table 1: Inter-American instruments on copyright and country parties.

[77] *Treaty* on *Literary and Artistic Property*, signed in *Montevideo, Jan. 11, 1889* [hereinafter Montevideo Treaty].

[78] *Id.* arts. 3 (listing exclusive economic rights recognized by contracting parties), 5 (extending protection to artistic and literary works, including photography).

[79] *Id.* art. 2. *See* Bellido, *supra* note 46, at 27-41 (discussing the political purpose of connecting the protection to the country of origin of the work rather than author's nationality or residence).

[80] Montevideo Treaty, *supra* note 77, art. 4.

[81] *Id.* arts. 13, 16. This was, for instance, the case of Argentina that accepted adhesions by: France (1896), Italy and Spain (1900), Belgium (1923), Austria and Germany (1927), and Hungary (1931). *See* Delia Lipszyc, *Esquema de la Protección Internacional del Derecho de Autor por las Convenciones del Sistema Interamericano*, *in* LA PROTECCIÓN DE LOS DERECHOS DE AUTOR EN EL SISTEMA INTERAMERICANO, *supra* note 61, at 38-39; LADAS, *supra* note 76, at 636, 654; *see also* BELLIDO, *supra* note 46, at 49-67 (describing diplomatic and political difficulties faced by Spain and France in order to achieve some acceptance by Latin American country parties to their acceding to the Montevideo Convention).

[82] *See supra*, notes 19-48.

by the Berne Convention.[83] The Montevideo Treaty did not provide exclusive rights over performances and representations of musical and dramatic works. However, unlike the Berne Convention, the Montevideo Treaty listed a broader category of exclusive economic rights,[84] protected photography and choreographic works expressly,[85] and recognized exclusive rights on translations like in any other copyrighted work.[86]

The reasons why Latin American countries did not accede to the Berne Convention still remain a mystery for scholars.[87] Some see that reluctance and the adoption of the Montevideo Treaty as a reaffirmation of independence, a rejection of European hegemony, and, over all, a strong conviction that becoming party to the Berne Convention was inconvenient for the Americas as culture-importing countries.[88] The Americas had no reason to enjoy a worldwide agreement that would damage its terms of trade by increasing artificially the cost of access to knowledge by law. Whatever reasons motivated the adoption of the Montevideo Treaty, which was ratified by only a few countries,[89] it symbolizes the Americas' first cohesive effort to make its own way in international copyright law.[90]

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83 Uchtenhagen, *supra* note 74, at 80 (supporting superior protection in the fact that, unlike the Berne Convention, the Montevideo Treaty listed the exclusive economic rights granted to right holders and provided express protection to photography). *See also* SINGER, *supra* note 48, at 143 (comparing the Montevideo Treaty with the Berne Convention); LADAS, *supra* note 76, at 654-55; BAIRES, *supra* note 35, at 147-160.

84 Montevideo Treaty, *supra* note 77, art. 3.

85 *Id.* art. 5.

86 *Id.* arts. 3, 6.

87 José Bellido, *Latin American and Spanish Copyright Bilateral Agreements (1880–1904)*, 12 J. WORLD INTELL. PROP. 1, 2 (2009) (still wondering why Latin American countries did not appear among signatories to the Berne Convention).

88 LA PROTECCIÓN DE LOS DERECHOS DE AUTOR EN EL SISTEMA INTERAMERICANO, *supra* note 61, at 20. *Similarly* Uchtenhagen, *supra* note 74, at 74-81 (explaining the Inter-American copyright system as a result of the independency of Americas' countries, the differences in cultural relations between Europe and Latin America, the evident advantage that the Berne Convention provided to European works, and the "divergent interest around printing").

89 *See* Uchtenhagen, *supra* note 74, at 92-93 (explaining the reason of the failure and suggesting that, in practice, the Montevideo Treaty satisfied the needs of the Argentinean publishing sector, because it got protection according to its domestic law within its influential zone, which was limited to the few country parties, those were, Argentina, Bolivia, Paraguay, Peru, and Uruguay).

90 CANYES ET AL., *supra* note 76, at 11; GOLDBAUM, *supra* note 76, at 35. *See also* BELLIDO, *supra* note 46, at 11 (stating that "the Montevideo Convention [w]as an inaugural Latin American attitude moving towards international copyright.").

Through the late nineteenth and early twentieth centuries, Latin America continued being a primary product export region, with economies specialized on a single-commodity export and high concentration of sales.[91] By the 1930s, all regional economies depended on only one good — such as coffee, bananas, and petroleum — and more than 65% of exports had as destinations only four countries: the United States, the United Kingdom, France, and Germany.[92] The First World War, the Great Depression, and new synthetic products produced a progressive decline in Latin America's terms of trade, and dissatisfaction with the externally-oriented commodity export model.[93] To overcome the inconvenience of dependence on international markets, around the middle of the twentieth century, Latin American countries adopted a new model of development: import substitution industrialization.[94]

The new economic policy model had to propel the development of local creative industries. There are abundant examples of that process. For instance, in the middle of the 1930s, the "golden age" of Mexican cinema began, which influenced the later development of the new Latin American cinema.[95] A similar development occurred with the publishing sector in the region, which had a significant increase in production starting in the 1930s[96] based on protectionist policies, as well as the contribution by Spanish publishers and intellectuals in exile because of the Spanish Civil War and Franco's dictatorship.[97] This fueled the flourishing of the

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91 BULMER-THOMAS, *supra* note 12, at 46-81.

92 FRANKO, *supra* note 6, at 40-43.

93 *Id.* at 50. *See also* Rosemary Thorp, *Latin America and the International Economy from the First World War to the World Depression*, *in* 4 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 57-81 (analyzing several changes in the world economy that impacted the Latin America's export-led model during the first quarter of the twentieth century); DEAN, *supra* note 16, at 719-22 (reviewing the catastrophic effects of First World War and Great Depression on the Brazilian economy); BULMER-THOMAS, *supra* note 12, at 152-231.

94 FRANKO, *supra* note 6, at 50; SKIDMORE ET AL., *supra* note 13, at 358-60. *See also* Ricardo Ffrench-Davis, Oscar Muñoz & José Gabriel Palma, *The Latin American Economies: 1950–1990*, *in* 6-1 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 159-249 (providing a comprehensive revision and evaluation of the model of import substitution industrialization throughout Latin American countries in the context of the world economy).

95 Juan Pablo Silva, *La Época de Oro del Cine Mexicano: La Colonización de un Imaginario Social*, 7 CULTURALES 7, 9-10 (2011).

96 Tomás Lago, *Los Derechos de Autor y el Porvenir del Libro Chileno*, 14 ANALES DE LA UNIVERSIDAD DE CHILE 142, 153-57 (1934); BERNARDO SUBERCASEAUX, HISTORIA DEL LIBRO EN CHILE: ALMA Y CUERPO 133-76 (2010) (reviewing the Chilean publishing sector between 1930s and 1970s).

97 José Luis de Diego, *Algunas Notas sobre la Edición en América Latina*, *in* IX CONGRESO ARGENTINO DE HISPANISTAS: EL HISPANISMO ANTE EL

Latin American boom in literature, poetry and social sciences during the 1960s and 1970s, particularly in the Spanish speaking countries. However, the prevailing regional attitude still refused to accede to international instruments on copyright that would perpetuate cultural dependency on Europe, particularly with regard to Spain, and, instead, argued in favor of solutions that would strengthen regional production and trade.[98]

Meanwhile, a series of successive treaties attempted to perfect the Inter-American copyright system[99] until the adoption of the 1910 Buenos Aires Convention.[100] The convention required protection based on national treatment except for the term of protection,[101] and simplified formalities for getting a copyright.[102] However, despite the fact that the Buenos Aires Convention achieved broader adhesion through the American continent, scholars tend to agree that it lacked efficacy and, as a result, new instruments attempted to improve the system,[103]

BICENTENARIO, LA PLATA, April 27-30, 2010. *See also* MARTINEZ BAEZA, *supra* note 37, at 381 (reporting on the effects of the Second World War and the Spanish Civil War on the Chilean publishing sector).

98 LAGO, *supra* note 96, at 159-66 (proposing a collective effort by Latin American publishers to skip intermediaries and get regional licenses and payment directly to authors).

99 Convention on Literary and Artistic Copyrights, *Jan. 27, 1902,* O.A.S.T.S. No. 32 (signed in *Mexico City, Mexico);* Convention on Patents of Invention, Drawings and Industrial Models, Trade Marks, and Literary and Artistic Property, Aug. 23, 1906, O.A.S.T.S. No. 18 (signed in Rio de Janeiro, Brazil.

100 Convention on Literary and Artistic Copyrights, Aug. 11, 1910. O.A.S.T.S. No. 22 (signed in Buenos Aires, Argentina) [hereinafter Buenos Aires Convention].

101 *Id.* art. 6.

102 *Id.* art. 3 (setting forth that copyright protection granted by the treaty did not require "complying with any other formality, provided always there shall appear in the work a statement that indicates the reservation of the property rights"). *See also* CANYES ET AL., *supra* note 76, at 13 (explaining that the Buenos Aires Convention abrogated all the formalities but those required by the country of origin). *Similarly* LADAS, *supra* note 76, at 661-63; Ladas, *supra* note 69, at 291-93 (referring the discussion on the matter during the drafting process between delegates from different countries).

103 Acuerdo sobre Propiedad Literaria y Artística [Agreement on Literary and Artistic Property], suscrito en el Congreso Bolivariano de Caracas, 17 de julio de 1911; Revision of the Convention of Buenos Aires on the Protection of Literary and Artistic Copyright, Feb. 1, 1928. O.A.S. T.S. No. 34 (signed in La Havana, Cuba) [hereinafter La Havana Convention]. The La Havana Convention was the most pretentious effort for increasing the protection provided by the Inter-American copyright system. It did not suppress formalities in the country of origin, but only required copyright notice for granting conventional protection (art. 3); suggested a term of protection for author's life plus fifty years post mortem (art. 6); recognized the moral right of integrity (art. 13*bis*); and updated the regime to the then-new technologies, mainly mechanical reproduction of music and cinematography

but without similar adhesion,[104] until the 1946 Washington Convention.[105]

The Washington Convention consolidated the Inter-American copyright system. It granted not only exclusive economic rights to authors on a broad category of works, but also some moral rights, such as authorship and integrity.[106] It did not abrogate formalities in the country of origin, but rejected them for achieving conventional copyright protection in another party country.[107] However, significant differences in the domestic law of the contracting parties blocked an agreement on the term of protection.[108] The convention also simplified the Inter-American system by superseding previous conventions between the contracting states without affecting rights already acquired in accordance with them.[109] The flexibility of the Washington Convention allowed its adhesion for the majority of the countries of the Americas, which also worked on its actual implementation into domestic law.

Countries of the Americas provided themselves with a more flexible international copyright law that better suited their needs. Unlike the Berne Convention, the Inter-American system left the term of protection for determination by domestic laws and allowed requiring formalities for achieving domestic copyright protection, abandoning those works that did not comply with them to the public domain. However, through the Inter-American system, countries also avoided providing protection to Euro-

(arts. 2, 4, 5). Its purpose was to replace the 1910 Buenos Aires Convention, but it did not succeed because only a few countries ratified it.

104 *See* LADAS, *supra* note 76, at 648-50, 654 (referring the substance of multiple treaties simultaneously in force with effects on a limited number of countries).

105 Inter-American Convention on the Rights of the Author in Literary, Scientific and Artistic Works, Jun. 22, 1946, UN Registration: 03/20/89, Vol. 24,373 (signed in Washington D.C.) [hereinafter Washington Convention]. *See generally* Bryce Rea, Jr., *Some Legal Aspects of the Pan-American Copyright Convention of 1946*, 4 WASH. & LEE L. REV. 10 (1946) (reviewing the Convention and its consistency with U.S. copyright law).

106 Washington Convention, *supra* note 105, arts. II, III, IV, XI.

107 Washington Convention, *supra* note 105, arts. IX, X. *See* Manuel CANYES ET AL., *supra* note 76, at 20, 175; GOLDBAUM, *supra* note 76, at 78, 168, 169 (stating that the Washington Convention opened the way for abandoning the system of compulsory registration and adopting automatic protection by freeing authors from multiple registrations). *See also* Rea, *supra* note 105, at 23-25 (arguing that formalities in the Washington Convention were a compromise between U.S. law and the principles of automatic protection adopted by the Berne Convention).

108 *See* CANYES ET AL., *supra* note 76, at 19-20; GOLDBAUM, *supra* note 76, at 162-66.

109 Washington Convention, *supra* note 105, art. XVII. *See* GOLDBAUM, *supra* note 76, at 201 et seq. (analyzing the negative effects of the convention).

pean authors and got access to the cultural building blocks they needed. This explains why Latin American countries not only rejected becoming parties to the Berne Convention, but also declined any general adhesion to the Inter-American system by European countries; as a result, Latin America deprived their former colonizers' works of protection.[110]

By the middle of the past century, in spite of their differences, Latin-American copyright laws had common features. In addition to constitutional recognition for copyright by the majority of countries,[111] specific copyright laws were in force.[112] Laws granted exclusive economic and moral rights to authors of a broad category of works. Compliance with some formalities was still essential for achieving protection, such as including a copyright notice in works, depositing a number of copies at public institutions, and recording works in a public register.[113] The Washington Convention did not abrogate formalities for achieving protection in the country of origin, but they were not required for getting protection under the Convention.[114] In fact, even Brazil, which was the sole Latin American country party to the Berne Convention as of 1922,[115] still required formalities in its domestic law.[116] Another feature of Latin-American copyright law was the lack of agreement and notorious differences among countries in the extension of the term of protection, which fluctuated from twenty to eighty years *post mortem auctoris*, with some countries even providing perpetual protection.[117]

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110 Uchtenhagen, *supra* note 74, at 78-80.

111 *See* EDWIN R. HARVEY, DERECHO CULTURAL LATINOAMERICANO: CENTRO AMÉRICA, MÉXICO Y CARIBE 15-16 (1993) (referring to the inclusion of clauses on copyright law in Latin American constitutions as part of the "*cultural constitutionalism*" of the region, which includes a broader range of cultural matters, such as protecting language diversity and archeological remains).

112 *See* CANYES ET AL., *supra* note 76, at 161-65.

113 *Id.* at 174.

114 Washington Convention, *supra* note 105, arts. IX, X.

115 *See* ARPAD BOGSCH, THE FIRST HUNDRED YEARS OF THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS 30 (1986) (referring to the status of Haiti within the Berne Convention as among the initial signatory countries, but that it denounced the treaty in 1943, but accessed again to it in 1995).

116 CANYES ET AL., *supra* note 76, at 49-50; MIZUKAMI, *supra* note 33, at 290 (noting that controversy around formality requirements in Brazilian copyright law was solved only in 1973).

117 Term of protection, in general, was: twenty years p.m.a. in Chile, Mexico, and Peru; twenty-five years p.m.a. in El Salvador; thirty years p.m.a. in Argentina, Bolivia, Dominican Republic, and Venezuela; forty years p.m.a. in Uruguay; fifty years p.m.a. in Costa Rica and Ecuador; sixty years p.m.a. in Brazil; eighty years p.m.a. in Colombia, Cuba, and Panama; and for

A regime on limitations and exceptions to the exclusive economic rights of right holders complemented the copyright regime. In fact, the Washington Convention itself set forth some limitations, such as one allowing reproduction of articles on current events in newspapers and magazines,[118] one for purposes of quotation,[119] and another allowing the translation of brief extracts of works.[120] The Convention did not prevent countries from adopting additional exceptions and, as a matter of fact, countries enacted several others within their domestic law in order to meet public interest.

In sum, by the end of the Second World War, there were two competing copyright systems: the European and the Inter-American. In highly simple terms, the European copyright system, which was open to external countries, provided automatic protection to authors for their lives plus at least fifty years, but not that much flexibility for meeting public interest needs. The Inter-American system, which was limited to countries of the Americas, provided international protection for a discretionary term to authors who had complied with formalities set forth by countries of origin. Such differences between both systems made illusory any global copyright protection and required some effort for international harmonization. In fact, in 1928 there was an attempt that failed, leading, on one hand, to a mere revision of the Berne Convention and, on the other, to the La Havana Convention, which did not attract many Latin American countries.[121]

IV. ENTERING INTO THE INTERNATIONAL COPYRIGHT REGIME

The need for international harmonization on copyright became pressing after the Second World War. By then, not only was the reluctance of Latin American countries and the U.S. to enjoy the Berne Convention problematic, but also the damaged economy of Europe and the progressive loss of its possessions overseas increased difficulties for right holders. This was because of the risk that their rights were being frustrated in the case of emerging nations resulting from decolonization of Asia, such as India and Pakistan. The fragmentation of colonial empires into new independent states created the risk that they would not adhere to the Berne Convention, which made it urgent for copyright holders to agree in some

perpetuity in Guatemala and Nicaragua. *See* MIZUKAMI, supra note 33, at 173-74.

118 Washington Convention, *supra* note 105, art. VI.

119 *Id.* art. XII(1).

120 *Id.* art. XII(2).

121 LADAS, *supra* note 76, at 650-53, 666-79.

way to preserve the protection for copyright granted during the colonial era.

The Berne Convention provided a mechanism for facing the decolonization of territories by signatory countries. This was known as the "colonial clause" which provided for continuity in copyright protection from the old to the new status of a given territory (i.e., from being a colony to an independent state).[122] However, this mechanism was not enough because it still required acceptance by former colonies. On one hand, those new developing countries were also reluctant to adopt the high standard of the Berne Convention; on the other hand, Europe needed to protect its potential market by encouraging adhesion to the Berne Convention and, at the same time, to avoid the drop out of those few developing countries that already were parties.

To overcome the gap between the needs of developing countries and the protection promoted by European ones, in 1952, under the sponsorship of the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Universal Copyright Convention (UCC) was adopted.[123] It attempted to grant global protection to authors through a truly universal convention that, however, did not affect the systems already in force.[124] A country party could achieve protection in other countries by granting national treatment and a minimal standard of protection, including a term of protection shorter than Berne and a simple system of formalities.[125] The UCC did not abrogate formalities within domestic law,[126] but set forth mere copyright notice as a condition for achieving protection under the Convention.[127] The UCC granted exclusive rights of translation, but established a flexible mechanism of compulsory licensing for translation and reproduction of works.[128] This allowed most Latin American countries to adhere to the UCC and achieve some universal

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122 Berne Convention – Brussels Act, *supra* note 71, art. 27 (currently, the Berne Convention for the Protection of Literary and Artistic Works, as revised at Paris, France, July 24, 1971, art. 31 [hereinafter Berne Convention – Paris Act].

123 UNIVERSAL COPYRIGHT CONVENTION, WITH APPENDIX DECLARATION RELATING TO ARTICLE XVII AND RESOLUTION CONCERNING ARTICLE XI, SEPT. 6, 1952 (SIGNED AT GENEVA) (UN Registration: 09/27/55, No. Vol. 2937 [*hereinafter* UCC].

124 *Id.* pmbl.

125 *Compare id.* arts. I, II, IV (providing copyright protection based on national treatment of foreign works whose countries of origin were parties to the UCC for at least the author's life plus twenty-five years) *with* Berne Convention – Paris Act, *supra* note 122, art. 7 (setting forth a term of protection for author's life plus fifty years).

126 UCC, *supra* note 123, art. III(2).

127 *Id.* art. III(1).

128 *Id.* art. V.

protection without the need to make significant changes in their domestic law. In practice, the UCC provided a one-way bridge to the higher standards of the Berne Convention by adopting some flexibility.[129]

The UCC achieved its purpose of providing universal copyright protection to authors. Countries in the Americas acceded to the UCC in succeeding years and obtained overseas protection for their nationals without challenging their domestic laws. Parties to the Berne Convention also joined the UCC; after all, getting lower protection for their authors was better than nothing. For these countries, however, the UCC was still an unsatisfactory solution because of its shorter term of protection, formalistic requirements, and permissive provisions on translation. The UCC also neither encouraged adhesion to the Berne Convention standards by new countries nor was a guarantee for preventing the withdrawal of the handful of developing countries that were already members. Therefore, for the Berne Convention countries, the UCC was a centering rather than a bridge, a provisional structure of international law to advance a bigger goal, which was the universal adoption of the European system. Therefore, Europe's next step for international copyright law was clear: to converge all systems around the Berne Convention.

The 1967 Stockholm Act[130] was the first attempt at convergence, by providing some flexibility but preserving its long-term automatic protection. The Stockholm Act permitted countries to adopt exceptions and limitations, but in compliance with the so-called Berne three-step test, which reduces them to certain special cases that do not conflict with normal ex-

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[129] *See* DELIA LIPSZYC, COPYRIGHT AND NEIGHBOURING RIGHTS 604-05, 751 (1999) (referring to the UCC as a first step in the process of accessing to the Berne Convention); RICARDO ANTEQUERA, EL NUEVO DERECHO DE AUTOR EN VENEZUELA 572 (1994) (referring to the UCC as a bridge to the Berne Convention); ALFONSO LOREDO HILL, NUEVO DERECHO AUTORAL MEXICANO 241 (2000) (citing Torres Bodet's inaugural speech at the conference in which the UCC was adopted, which said, "[t]he final document will be a complementing instrument, capable to set permanent links between the two big system of the Berne Convention and the American continent, which currently lack of regular relations, and will allow to arrive to a universal agreement."). However, the UCC did not allow movement from the Berne Convention to the UCC, by punishing those countries that leave the Berne Convention. *See* UCC, *supra* note 123, APPENDIX DECLARATION RELATING TO ARTICLES XVII.

[130] Berne Convention for the Protection of Literary and Artistic Works, as revised at Stockholm, July 14, 1967 [*hereinafter* Berne Convention – Stockholm Act]. *See* Quintiliano Monsalve, *La Conferencia de Estocolmo sobre Propiedad Intelectual*, 140 REVISTA DE DERECHO Y CIENCIAS SOCIALES 81, 83 (1967) (stating that the Stockholm Conference attempted to converge the European and the American system, and attract countries that have not accessed any of those system, such as Russia).

ploitation of the work and do not unreasonably prejudice the legitimate interests of the author.[131] Another flexibility was the so-called "ten-years regime" clause,[132] according to which an acceding country could allow the exclusive right to translation on foreign works to expire, if they lacked translations into languages of use in the said country within ten years from their first publication. Finally, an additional protocol authorized developing countries to issue compulsory licenses for translating similar works in a shorter term.[133] In spite of its concession to developing and acceding countries, the Stockholm Act did not succeed. Right holders lobbied developed countries to prevent their ratification of the Stockholm Act, which quickly evidenced its uselessness;[134] in fact, the process for conducting a new revision of the Berne Convention took place almost immediately.

The second attempt to converge international copyright law was conducted by consecutive conferences held in Paris in 1971 that revised both the Berne Convention and the UCC.[135] Despite their different philosophies, the conferences adopted almost identical modifications in the flexibilities provided by the UCC and those included in the Appendix of the

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131 Berne Convention – Stockholm Act, *supra* note 130, art. 9(2) (permitting the reproduction of works under the expressed circumstances). *See also* Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 13, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299 [hereinafter TRIPs Agreement] (adopting similar test, but extending its scope further than reproduction and a requirement of not unreasonably prejudicing legitimate interests with respect to the right holder).

132 Berne Convention – Stockholm Act, *supra* note 130, art. 30.

133 For background, analysis and the aftermath of the Stockholm Act of the Berne Convention, see CARLOS MOUCHET, EL DERECHO DE AUTOR INTERNACIONAL EN UNA ENCRUCIJADA (1969); Ndéné Ndiaye, *The Berne Convention and Developing Countries*, 11 COLUM.-VLA J.L. & ARTS 47 (1986); SAM RICKETSON, THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS: 1886–1986, at 590-630 (1987); SAM RICKETSON & JANE C. GINSBURG, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND 881-924 (2d ed. 2006).

134 DRAHOS & BRAITHWAITE, *supra* note 58, at 77; Eva Hemmungs Wirtén, *Colonial Copyright, Postcolonial Publics: The Berne Convention and the 1967 Stockholm Diplomatic Conference Revisited*, 7 SCRIPTED 532, 547 (2010).

135 *See* Irwin A. Olian, Jr., *International Copyrights and the Need of Developing Countries: The Awakening at Stockholm and Paris*, 7 CORNELL INT'L L.J. 81, 109 (1974) (arguing that, in fact, even when introducing a regime for compulsory licensing in favor of developing countries, the ultimate goal of the Berne Convention Act of Paris rather than designing a solution for them was working on unifying the systems of the Berne Convention and the UCC).

Berne Convention via the 1971 Paris Act.[136] That is, both international instruments provided a converged mechanism allowing developing countries to issue compulsory licenses for translating and/or reproducing published copyrighted works.[137] Additionally, the Berne Convention allowed adopting copyright exceptions into domestic law, but subject to the three-step test for exceptions.[138] It also preserves the "ten-years regime" clause that allows the lapse of exclusive rights on translations, but only for acceding countries.[139] New instruments did not achieve any other convergence, but at least neutralized the risk that their previous versions represented for right holders, by limiting some flexibilities and introducing a bureaucratic and complex regime for compulsory licensing for developing countries that, eventually, made compulsory licensing completely useless for them.[140]

At that time, between the 1950s and the 1980s, most Latin American countries, which were under authoritarian regimes,[141] implemented a model of economic development based on substituting importation with domestic production by stretching the industrialization of their economies. This model required an active role of the state in the economy, including state-owned enterprises, financial support to the private sector, and protectionist measures, such as high tariffs and trade restrictions; the model did not reject transnational corporations, as long as they played within the domestic economy.[142] The achievements of this model of development were uneven throughout the region,[143] but it is notable that three major

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136 Eugen Ulmer, *The Revisions of the Copyright Conventions*, 2 INT'L REV. INTELL. PROP. & COMPETITION L. 345, 347 (1971) (stating that: "with isolated exceptions and apart from the arrangement of the two systems, the substantive provisions common to both Conventions (rules governing exception to the rights of translation and reproduction) were drafted in identical terms.").

137 *Compare* Berne Convention – Paris Act, *supra* note 122, Appendix Special Provisions regarding Developing Countries, *with* Universal Copyright Convention as revised on 24 July 1971, arts. V-V *quarter*.

138 Berne Convention – Paris Act, *supra* note 122, art. 9(2).

139 *Id.* art. 30(2)(b).

140 Alberto Cerda, *Beyond the Unrealistic Solution for Development Provided by the Appendix of the Berne Convention on Copyright*, 60 J. COPYRIGHT SOC'Y 581 (2013).

141 Scholars disagree on the exact period during which Latin America was under populist, dictatorial, or authoritarian regimes. This disagreement comes not only from the actual meaning of what is a democratic regime, but also from the noticeable differences between political facts from one country to another. Most scholars, however, state that authoritarian regimes were pervasive thorugh Latin American between 1930s–1970s. *See, e.g.*, SKIDMORE et al., *supra* note 13, at 379-86; KEEN & HAYNES, *supra* note 6, at 270-74.

142 FRANKO, *supra* note 6, at 61-68.

143 *Id.* at 68-72; SKIDMORE ET AL., *supra* note 13, at 361-62.

book-producing Latin American countries became parties to the European copyright agreement, the Berne Convention. Brazil had acceded in 1922, benefiting from its competitive advantages in the Portuguese-language market and, in 1967, both Argentina and Mexico also acceded. It may be hypothesized that their domestic publishing sectors took advantage of the protectionism of the import substitution industrialization model, such as strong subsidies, important public purchases, and even legal benefits.

The revisions to the Berne Convention did not succeed in Latin America, however, as evidenced by the fact that only a few countries acceded to it and they failed to adopt implementing laws.[144] By the 1980s, in addition to Argentina, Brazil, and Mexico, Chile (1970) and Costa Rica (1978) became parties to the Convention. Therefore, for most countries in the region, the leading instruments on international copyright remained the Washington Convention and the 1952 UCC. Acceding to the Berne Convention, moreover, did not guarantee compliance because of the necessity of implementing domestic law;[145] for instance, as was mentioned, Brazil still had domestic protection based on formalities by the 1960s.[146] Similarly, Argentina required registration for protecting translations.[147] Even worse, some country parties adopted domestic laws that violated the Berne Convention commitments; for example, Chile's 1971 copyright law reduced the term of protection from fifty to thirty years p.m.a.[148] Mexico provided thirty years of protection too.[149] Those facts show that the Berne Convention presented three difficulties: reduced number of accessions, need of implementing law, and lack of enforcement.

By the 1970s, under pervasive dictatorships fed by the Cold War,[150] the model of economic development based on substituting importation be-

144 *See* Annexes, Table 2: International instruments on copyright and country parties.

145 Berne Convention – Paris Act, *supra* note 122, art. 36.

146 PAN AMERICAN UNION, PROTECCIÓN DEL DERECHO DE AUTOR EN AMÉRICA 21-23 (1962) (describing formalities required by Brazilian domestic law in order to achieve protection by domestic and foreign authors). *See also supra* note 116.

147 ORGANIZATION OF AMERICAN STATES – GENERAL SECRETARIAT, COPYRIGHT PROTECTION IN THE AMERICAS – ARGENTINA 19 (1984).

148 *See* Claudio Ruiz, *Hacia una Dogmática para el Acceso en Chile*, *in* ACCESO A LA CULTURA Y DERECHOS DE AUTOR 48-50 (Alberto Cerda ed., 2008) (reviewing the term of protection in Chilean copyright law since 1834 to the present, which came into compliance with the Berne Convention again by 1992).

149 ORGANIZATION OF AMERICAN STATES – GENERAL SECRETARIAT, COPYRIGHT PROTECTION IN THE AMERICAS – MEXICO 13 (1984).

150 *See* Alain Rouquie, *The Military in Latin American Politics Since 1930*, *in* 6-2 THE CAMBRIDGE HISTORY OF LATIN AMERICA, *supra* note 6, at 247-70

come unsustainable, in spite of some attempts to prolong it by extending domestic markets through regional integration initiatives and injecting financial resources through external debt. This led to the most severe economic crises though the region in the early 1980s, when several countries declared default and moratorium with international financial markets. Through the decade, which became known as the "lost decade" in Latin America, countries dealt simultaneously with economic instability, financial rescheduling of international debt, incipient transition to democratic governments, and increasing social discontent because of high rates of unemployment and inflation resulting from readjustment policies. After achieving some macroeconomic stabilization, through the 1990s, Latin America embarked in two parallel, but interrelated twisted processes: economic restructuring and political re-democratization.

Since the 1990s, Latin American countries have moved from their previous inward model of development to a trade liberalization model.[151] Following strong recommendations from international finance institutions, countries implemented a series of market-based policies known as the Washington Consensus.[152] These policies included unilateral trade and financial liberalization, privatization of the economy, deregulation of markets, fiscal control, reduction of taxes, tariffs, and social spending, among others. Based on the premise that weak contractual enforcement in Latin America discouraged investment, securing property rights became part of the Washington Consensus' solution. In that manner, intellectual property rights achieved the status of an essential component of economic development.[153] While the level of implementation and outcomes achieved with this new policy varied from country to country, by the end of last century, all countries in the region already had domestic copyright laws in compliance with international instruments on the matter.

Latin America has also progressed continuously since the 1980s in its re-democratization.[154] Conceptualizing democracy is a contending task

(providing a description of different military regimes that took place within the region between 1930 and 1980, ranging from dictatorships, quasi-institutionalized militarism, counter-revolutionary, and certain forms of reformist militarism); *see also* MEADE, *supra* note 16, at 214-33 (arguing that Latin America was a territory subject to the interference of the Soviet and American world division of the post-war era, which would explain countries' political struggles at that time).

151 FRANKO, *supra* note 6, at 154-78

152 SKIDMORE ET AL., *supra* note 13, at 368-70.

153 MIROW, *supra* note 38, at 211 (noting that since the 1990s, the drafting of modern copyright law in Latin America has attempted to attract foreign investment and to became involved in regional and world trade).

154 *See* Rouquie, *supra* note 150, at 279-300 (analyzing the progressive demilitarization and transmission of power to civilian elected governments that took

between scholars that exceeds the purposes of this article, but there are several features of Latin America that corroborate its recent progress. Almost every country within the region has a democratic government elected with universal vote in a multiparty system.[155] The historically elusive rule of law has been imposed through the region, although at different levels.[156] For instance, in addition to improvements in judiciaries' conditions, in several countries new institutions have stretched democratic commitments, such as ombudsmen, independent prosecutions, and constitutional courts. In recent years, human rights recognition and enforcement have received significant improvements in both domestic and international law applicable to Latin America.[157] Of course, there is still room for improvements: in areas such as public transparency and accountability; citizen's participation; and the fight against corruption, guerrilla activity, and drug trafficking.

Simultaneously, since the late 1980s and through the 1990s, a new vitality reinvigorated the agenda for international copyright law. On one hand, the end of the Cold War and the increasing globalization of the economy accentuated the importance of achieving international harmonization on intellectual property. On the other hand, the challenges and opportunities offered by new digital technology made at least some updating of the copyright system necessary. In the case of Latin American countries, this was the time for rebuilding democratic traditions, improving legal systems, and reengaging in the international arena. At the same time, Latin American countries left protectionism and import-substitution

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place in Latin America between 1979 and 1990); *see also* SKIDMORE ET AL., *supra* note 13, at 389-91.

155 *See* Frances Hagopian & Scott P. Mainwaring, *Introduction*, *in* THE THIRD WAVE OF DEMOCRATIZATION IN LATIN AMERICA: ADVANCES AND SETBACKST 3 (Frances Hagopian & Scott P. Mainwaring eds., 2005) (identifying only two authoritarian governments within the region by 2003: Cuba and Haiti); *see also* SKIDMORE ET AL., *supra* note 13, at 390 (mapping democratic, semi-democratic, and non-democratic governments within the region between 1972–2008).

156 *See* Jorge Carpizo, *Derecho Constitucional Latinoamericano y Comparado*, 114 BOLETÍN MEXICANO DE DERECHO COMPARADO 949, 972-85 (2005); Rodrigo Uprimny, *The Recent Transformation of Constitutional Law in Latin America: Trends and Challenges*, 89 TEXAS L. REV. 1587, 1593-94 (2011); ROBERTO GARGARELLA, LATIN AMERICAN CONSTITUTIONALISM 1810–2010, at 148-95 (2013); *see also* ALLAN R. BREWER-CARIAS, CONSTITUTIONAL PROTECTION OF HUMAN RIGHTS IN LATIN AMERICA: A COMPARATIVE STUDY OF AMPARO PROCEEDINGS (2009).

157 *See* Víctor Abramovich, *From Massive Violations to Structural Patterns: New Approaches and Classic Tensions in the Inter-American Human Rights System*, 11 SUR – INT'L J. HUMAN RIGHTS 6, 2009.

as their trade and economic policy for development;[158] instead, they embraced liberalization and privatization of their economies, and attempted by numerous means to achieve access to foreign markets.[159] In this context, intellectual property and copyright became an essential part of the package deal on international trade that Latin America endorsed. However, scholars agree that the impetus for including intellectual property was and remains external rather than internal.[160]

Changes in U.S. copyright law and policy were highly influential in Latin America. In 1988, the U.S. became party to the Berne Convention,[161] after adapting its domestic law to the treaty, mainly by largely granting automatic protection, but omitting moral rights.[162] Additionally, the U.S. incorporated the Berne Convention standards into its foreign trade policy at the domestic level, through Special Report 301 that pressures other countries by denying tariff preferences to those that do not provide adequate and effective protection of intellectual property rights or fair and equitable market access to United States persons that rely upon intellectual property rights.[163] At the international level, the U.S. tabled a proposal on intellectual property at the World Trade Organization (WTO), including the Berne Convention standards for copyright plus additional requirements on protecting databases and software. After 102

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158 Yolanda Huerta Casado, *El Tratado de Libre Comercio en Materia de Propiedad Intelectual y Sus Repercusiones en América Latina*, *in* DERECHO DE LA PROPIEDAD INTELECTUAL: UNA PERSPECTIVA TRINACIONAL 125, 126-128 (Manuel Becerra Ramírez ed., 1998) (stating that copyright regulation in Latin America did change from protectionist policy in the 1970's based on import-substitution).

159 JOSEPH E. STIGLITZ, GLOBALIZATION AND ITS DISCONTENTS 53 et seq. (2003) (arguing that fiscal austerity, privatization and liberalization of the market were the pillars of the economic politic of the 80's and 90's imposed by international trade and financial organizations on developing countries and transitional economies).

160 Huerta Casado, *supra* note 158, at 126-33 (arguing that intellectual property harmonization in Latin America is outcome from "a tendency caused by external factors," such as the TRIPs Agreement, NAFTA and potential accession by other countries, globalization of the economy, and unilateral pressure from the U.S., among others).

161 Berne Notification No. 121: Accession by the United States of America, Nov. 17, 1988.

162 Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, 102 Stat. 2853.

163 Special Report 301 has been issued since 1989, the year of U.S. accession to the Berne Convention, as an annual review of global compliance with intellectual property conducted by the Office of the United States Trade Representative (USTR) in order to encourage worldwide protection and enforcement of intellectual property by depriving infringer countries of tariff preferences.

years of avoiding the Berne Convention and ninety-nine of profiting from the flexibility of the Inter-American copyright system,[164] the U.S. became the main champion of the Berne Convention standards by exercising pressure on other countries to adopt them too,[165] and so several Latin American countries adhered to them, even before the adoption of the TRIPs Agreement.[166]

In parallel with ongoing discussion of intellectual property rules before the WTO, some countries agreed to stronger copyright protection during negotiation of sub-regional agreements on economic integration. Such was the case of the North American Free Trade Agreement (NAFTA)[167] and Decision 351 of the Andean Community.[168] NAFTA created a free trade area among Canada, Mexico, and the U.S., and it required adopting several commitments for harmonizing regulation, including on intellectual property. Although the Andean Community has

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164 Jane C. Ginsburg & John M. Kernochan, *One Hundred and Two Years Later: The U.S. Joins the Berne Convention*, 13 COLUM.-VLA J.L. & ARTS 1 (1988). However, American publishers did enjoy the benefits of the Berne Convention long before through a legal technicality that provided protection to works simultaneously published in another country party to the convention. *See* JAMES L. BROWN, INDUSTRIAL PROPERTY PROTECTION THROUGHOUT THE WORLD 77-78 (1936) (recommending the publication of an American author's work first or simultaneously in a country party to the Berne Convention, known as the "back door" that allowed American publishers to achieve conventional protection by printing in Canada); RICHARD ROGERS BOWKER, COPYRIGHT: ITS HISTORY AND ITS LAW BEING A SUMMARY OF THE PRINCIPLES AND PRACTICE OF COPYRIGHT WITH SPECIAL REFERENCE TO THE AMERICAN CODE OF 1909 AND THE BRITISH ACT OF 1911, at 339 (1912).

165 These were the successive cases of Colombia and Peru (1988), Honduras (1990), Ecuador (1991), Paraguay (1992), Bolivia (1993), and El Salvador (1994). *See* Annexes, Table 2: International instruments on copyright and country parties.

166 TRIPs Agreement, *supra* note 131.

167 North American Free Trade Agreement between the Government of the United States of America, the Government of Canada and the Government of the United Mexican States, Dec. 17, 1992, 32 I.L.M. 605, *reprinted in* THE NAFTA (1993) [hereinafter NAFTA].

168 Andean Community, Decisión No. 351 Régimen Común sobre Derecho de Autor y Derechos Conexos [Decision 351 Common Regime on Copyright and Neighboring Rights], adopted by the Commission of the Cartagena Agreement, on Dec. 17, 1993, Official Gazette of the Andean Community no. 145, Dec. 21, 1993 [hereinafter Decision 351]. *See generally* Ricardo Antequera, *Copyright and Andean Community Law*, 166 REV. INT'L DU DROIT D'AUTEUR 56 (1995); Ana María Pacón, *La Protección del Derecho de Autor en la Comunidad Andina*, *in* DERECHO COMUNITARIO ANDINO, at 299-324 (Allan-Randolph Brewer-Carías ed., 2003).

existed since 1969,[169] in the early 1990s it was revitalized through the adoption of common legal regimes in several areas, such as foreign investment, communitarian enterprises, and intellectual property, among others.[170] By then, the Andean Community included Bolivia, Colombia, Ecuador, Peru, and Venezuela.

NAFTA and Decision 351 significantly increased the protection of copyright among the negotiating parties. They not only strengthened substantive copyright law beyond the Berne Convention, but also introduced restrictions in flexibilities available in both international and domestic laws of the negotiating parties. For instance, NAFTA extended copyright protection to databases and software,[171] granted exclusive rental rights for the latter,[172] and stretched the requirements set forth by the Appendix of the Berne Convention for issuing compulsory licenses.[173] Decision 351 adopted broad national treatment granting copyright to any author, even if his country of origin does not grant analogous protection;[174] granted to right holders exclusive rights of renting, leasing, and the importation of works;[175] and, provided copyright protection for computer programs and databases,[176] among others.[177]

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169 Andean Subregional Integration Agreement, May 26, 1969, 8 I.L.M. 910 (as amended by Trujillo Protocol, Mar. 10, 1996) (starting a sub regional integration process between Bolivia, Colombia, Chile, Ecuador, and Peru; in 1973, Venezuela also became a party; in 1976, Chile dropped out; and, in 2006, Venezuela denounced it).

170 *See* Thomas Andrew O'Keefe, *How the Andean Pact Transformed Itself into a Friend of Foreign Enterprise*, 30 INT'L L. 811, 818 et seq. (1996) (referring to the "revival" of the Andean Pact, which by the early '90s established uniform rules encouraging free trade and attracting foreign investment, becoming one of the most innovative integration initiative in the region).

171 NAFTA, *supra* note 167, art. 1705(1).

172 *Id.* art. 1705(2).

173 *Id.* art. 1705(6) (introducing additional requirements to those set forth by the Appendix of the Berne Convention for issuing compulsory licenses for translation and reproduction of works in foreign languages).

174 Decision 351, *supra* note 168, art. 2 (granting national treatment to any author, even if his country of origin does not grant analogous protection).

175 *Id.* art. 13 (granting to the right holder exclusive rights for: "c) public distribution of the work through selling, renting, or leasing; (d) the importation into the territory of any Andean Community member of copies made without authorization of the right holder.").

176 *Id.* arts. 23-27 (providing copyright protection for computer programs and databases).

177 *See id.* art. 60 (restoring retroactively copyright on works deprived of protection because of the omission of registration required by previous domestic laws). *Compare also* Ley No. 1322 de 1992: Ley de Derecho de Autor [Copyright Act], Gaceta Oficial, Apr. 27, 1992 (Bolivia), art. 25 (authorizing the government to issue compulsory licenses based on public need of a work of great cultural value for the country, or social or public interest) *with* Deci-

NAFTA and Decision 351 also improved the international enforcement of copyright law. NAFTA did it by including a dispute settlement obligation,[178] while the Andean Community conferred jurisdiction on a regional tribunal,[179] which actually has issued several decisions.[180] Additionally, Decision 351 overcame another limitation to international copyright law by making unnecessary its own implementation into domestic law. The Decision is communitarian (i.e., fully applicable within the Andean Community), supranational, and self-executing, with direct and immediate effects upon both communitarian and domestic authorities.[181] As a result, NAFTA and the Andean Community facilitated both the accession to and the implementation of the TRIPs Agreement by their party countries.[182]

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sión 351, art. 32 (prescribing that, in any case, compulsory licenses set forth in domestic law of Andean Community members can exceed limitations allowed by the Berne Convention or the Universal Copyright Convention). *See generally* Alberto Cerda, *Copyright Convergence in the Andean Community of Nations*, 20 TEX. INTELL. PROP. L.J. 429 (2012) (arguing that the Andean Community failed in considering public interest when it adopted Decision 351).

178 *See* NAFTA, *supra* note 167, ch. 20: Institutional Arrangements and Dispute Settlement Procedures.

179 *See* Protocol of Modification of the Treaty Establishing the Court of Justice of the Andean Community, May 28, 1996 (approved at Cochabamba, Bolivia).

180 *See* Laurence R. Helfer & Karen J. Alter, *The Andean Tribunal of Justice and Its Interlocutors: Understanding Preliminary Reference Patterns in the Andean Community*, 41 N.Y.U. J. INT'L L. & POL. 871 (2009) (describing the relations between the tribunal and both domestic courts and authorities, and finding that 97% of the cases judged by the Andean Community Tribunal of Justice are related to intellectual property, mainly trademarks); Laurence R. Helfer, Karen J. Alter & M. Florencia Guerzovich, *Islands of Effective International Adjudication: Constructing an Intellectual Property Rule of Law in the Andean Community*, 103 AM. J. INT'L L. 1 (2009) (arguing that Andean Community Tribunal of Justice has contributed to create a rule-of-law on intellectual property within the Andean Community).

181 Eric Tremolada Álvarez, *El Derecho Andino: Una Sistematización Jurídica para la Supervivencia de la Comunidad Andina de Naciones*, 57 CUADERNOS CONSTITUCIONALES DE LA CÁTEDRA FADRIQUE FURIÓ CERIOL UNIVERSIDAD DE VALENCIA 35 (2006); HILDEGARD RONDÓN DE SANSÓ, EL RÉGIMEN DE LA PROPIEDAD INDUSTRIAL 86-87 (1995). To make it clear, Decision 351 overlapped with domestic law that continued in force, if not inconsistent with the common regime.

182 *See* XAVIER GÓMEZ VELASCO, PATENTES DE INVENCIÓN Y DERECHO DE LA COMPETENCIA ECONÓMICAt 17 (2003); MARCO RODRÍGUEZ RUIZ, LOS NUEVOS DESAFÍOS DE LOS DERECHOS DE AUTOR EN ECUADOR 48-49 (2007); *see also* Huerta Casado, *supra* note 158, at 138 (stating that Andean Community members had a substantive legal regime compatible with standards set forth by NAFTA and the TRIPs Agreement); Julio Javier Cristiani, *Las Principales Disposiciones en Materia de Propiedad Intelectual en*

The conclusion of the TRIPS Agreement ended the remaining Latin American countries' reluctance to adopt the Berne Convention standards.[183] The TRIPs Agreement reaffirmed the Berne Convention and made it a truly universal copyright instrument; whatever the reason countries became parties to the WTO,[184] most likely to access markets for their agricultural products, they committed to comply with the Berne Convention, except on moral rights.[185] The TRIPs Agreement extended copyright protection by adopting new substantive commitments.[186] It also improved the enforcement of intellectual property, on one hand, by providing more specific commitments on enforcement for the domestic law of parties,[187] and, on the other, by establishing an institutional arrangement to monitor compliance and a dispute-settlement mechanism.[188] Finally, the TRIPs Agreement may not have been self-executing,[189] but it did re-

el Tratado de Libre Comercio de America del Norte y su Repercusión en la Legislación Interna Mexicana, 1 TEMAS VARIOS 65, 67 (1997) (noting that NAFTA was inspired by the TRIPs negotiations, which would explain the similarities of their commitments on copyright). *Similarly* Kevin C. Kennedy, *Introduction*, *in* THE FIRST DECADE OF FREE TRADE IN NORTH AMERICA 6-7 (Kevin C. Kennedy ed., 2004) (expressing reciprocal gratitude between the drafters of NAFTA and the TRIPs Agreement). *But see* MANUEL BECERRA, LA PROPIEDAD INTELECTUAL EN TRANSFORMACIÓN 35-36 (2004) (arguing that NAFTA standards were actually higher than those of the TRIPs Agreement on national treatment, transitional terms, compulsory licensing, contractual copyright law, and biotechnology, among others).

183 Acceding countries to the WTO and its TRIPs Agreement also soon adhered to the Berne Convention: Haiti and Panama (1996), Cuba, Dominican Republic, and Guatemala (1997), and Nicaragua (2000). *See* Annexes, Table 2: International instruments on copyright and country parties.

184 *See* Peter Yu, *TRIPS and Its Discontents*, 10 MARQ. INTELL. PROP. L. REV. 369 (2006) (providing four different narratives to explain the origins of the TRIPs Agreement and why developing countries became parties to it).

185 TRIPs Agreement, *supra* note 131, art. 9.

186 *See id.* arts. 10 (granting copyright on software and databases), 11 (granting exclusive rental rights on software and cinematographic works), 12 (adopting a term of protection of 50 years post author's mortem, or publication in some cases), and 13 (adopting the three step test for exceptions and limitations).

187 *Id.* arts. 41-62.

188 *Id.* arts. 63, 64, 68.

189 There is abundant literature on whether a treaty is self-executing. In general, it is when its provisions become domestic law without need of implementation, allowing its direct enforcement before a competent court. Whether a treaty is self-executing is primarily an issue of domestic law, particularly of a given country's constitutional framework. Acknowledging differences in the legal systems of parties, the TRIPs Agreement recognizes parties' freedom for determining the manner of proper implementation within their legal system and practice, thus, domestic law must determine if the treaty or its provisions are self-executing or not. *See* UNCTAD AND ICTSD, RE-

quire actual implementation into domestic law within a term that varied according to the level of development of a given country.[190]

The TRIPs Agreement did not address all the issues linked to new digital technology. In fact, soon thereafter, two additional international instruments were adopted at the World Intellectual Property Organization (WIPO), which are known as the WIPO Internet Treaties.[191] These treaties attempted to update copyright law in order to properly regulate digital technologies in connection with copyright and neighboring rights. Several of their provisions reiterated commitments already established by the Berne Convention and the TRIPs Agreement, but others were innovative for international copyright law, such as requiring protection for technological measures and rights management information,[192] and recognizing the exclusive right to make a work available online.[193] Most Latin American countries have ratified both WIPO Internet Treaties and, therefore, have implemented them or are required to.[194]

The WIPO Internet Treaties have similar limitations to the Berne Convention. On one hand, they lack a mechanism for enforcement, resting their implementation and observance on countries' good will. On the other, in spite of their denomination, they regulate digital technologies rather than the online environment; in fact, they do not include specific rules about observance of copyright in the online environment, an issue that has been left to domestic law.

In sum, the general narrative tells us that during the last three decades, Latin American copyright law has been in a transitional period. By the end of the 1980s, most countries based protection for authors on the Inter-American copyright system. Since then, countries progressively have become parties to the European copyright system, which is based on the Berne Convention and its successive revisions. During the 1990s,

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SOURCE BOOK ON TRIPS AND DEVELOPMENT 17 et seq. (2005); Carlos Correa, *The TRIPS Agreement and Developing Countries*, *in* 2 THE WORLD TRADE ORGANIZATION: LEGAL, ECONOMIC AND POLITICAL ANALYSIS 434-35 (Patrick F.J. Macrory et al. eds., 2005); DANIEL GERVAIS, THE TRIPS AGREEMENT: DRAFTING, HISTORY AND ANALYSIS 164-65 (3d. ed., 2008).

190 In most Latin American countries, certain treaties are self-executing, but this feature is mostly limited to human rights treaties and, therefore, other instruments — such as those on intellectual property and trade — do require an implementing domestic law.

191 World Intellectual Property Organization Performances and Phonograms Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17 (1997); World Intellectual Property Organization Copyright Treaty, Dec. 20, 1996, S. TREATY DOC. NO. 105-17 (1997) [*hereinafter* WCT].

192 WCT, *supra* note 191, arts. 11, 12.

193 *Id.* art. 8.

194 *See* Annexes, Table 2: International instruments on copyright and country parties.

countries committed to even higher copyright standards by joining trade agreements in multilateral and sub-regional forums, such as the TRIPs Agreement, the Andean Community's Decision 351, and NAFTA. Finally, with a few exceptions, Latin American countries have adhered to both WIPO Internet Treaties, which set forth innovative commitments about copyright and digital technologies. Since none of these international instruments are self-executing, except Decision 351, Latin American countries were required to implement them into domestic law, a matter to be explored in successive articles.

V. CONCLUSIONS

The absence of scholarship on the history of copyright in Latin America has reinforced some misconceptions around its evolution, from those that assume a certain uniformity in the tradition of *droit d'auteur* and deny any peculiarity to the region, to those that suppose Latin American countries have only paid attention to copyright recently. This article has confronted those misconceptions by briefly reviewing the evolution of copyright in the region.

Latin America has a long tradition of protecting copyright. As soon as countries consolidated their independence, and after a brief subsistence on colonial law, they recognized copyright as a constitutional right and adopted special laws on the matter that, despite limited productive capabilities, provided protections to local creators. The inherent limitations of local laws, however, encouraged countries to create a cross-border system for protecting copyright. Instead of acceding to the Berne Convention, which would have damaged the already-unfavorable terms of commercial trade with Europe by providing protection to European works, countries of the Americas undertook the construction of the Inter-American copyright system, by agreeing to the 1889 Montevideo Treaty and a series of copyright treaties. The Inter-American copyright system provided more flexibility to countries to meet their needs and protect their creators beyond national borders, at least among the countries of the Americas. In fact, it was the most important mechanism for providing protection to authors in the region until the end of the 1980s, when Latin American countries acceded to the Berne Convention and subsequent international instruments on copyright.

This brief review demonstrates that Latin America not only has a long tradition of protecting copyright, but also has a clear idea about the relevance of achieving that protection beyond national borders. Countries refused to accede to the Berne Convention not because they lacked a copyright tradition or persisted in certain legal isolation, but because it was inconvenient in relative terms, since Latin America historically has

had an unfavorable commercial trade on copyrighted matters, particularly with Europe.

VI. ANNEXES

Table 1
Inter-American instruments on copyright and country parties

	Montevideo (1889)	Mexico (1902)	Río (1906)	Buenos Aires (1910)	Caracas (1911)	La Havana (1928)	Montevideo (1939)	Washington (1946)
Argentina	1894	-	-	-	1950	-	-	1953
Bolivia	1904	-	-	-	1914	-	-	1947
Brazil	-	-	1911	1915	-	-	-	1949
Chile	-	-	1910	1955	-	-	-	1955
Colombia	-	-	-	1936	-	-	-	1972
Costa Rica	-	1903	1908	1916	-	1933	-	1950
Cuba	-	-	-	-	-	-	-	1955
Dominican Rep.	-	1907	-	1912	-	-	-	1947
Ecuador	-	-	1909	1914	1914	1936	-	1947
El Salvador	-	1902	1910	-	-	-	-	-
Guatemala	-	1902	1909	1912	-	1932	-	1952
Haiti	-	-	-	1919	-	-	-	1953
Honduras	-	1904	1908	1914	-	-	-	1947
Mexico	-	-	-	-	-	-	-	1947
Nicaragua	-	1904	1909	1913	-	1934	-	1950
Panama	-	-	1911	1913	-	1929	-	1984
Paraguay	1889	-	-	1917	-	-	1958	1949
Peru	1889	-	-	1920	1915	-	-	-
United States	-	1908	-	1911	-	-	-	-
Uruguay	1892	-	1919	-	-	-	-	-
Venezuela	-	-	-	1914	-	-	-	-

Data Sources: Organization of American States and World Intellectual Property Organization, 2014.

Table 2
International instruments on copyright and country parties

	Universal Convention 1952 (1)	Universal Convention 1971	Berne Convention (2)	TRIPs Agreement	WIPO Copyright Treaty (2)	WIPO Performances & Phonograms Treaty (2)
Argentina	1957	-	1967	1995	2002	2002
Bolivia	1989	-	1993	1995	-	-
Brazil	1959	1975	1922	1995	-	-
Chile	1955	-	1970	1995	2002	2002
Colombia	1976	1976	1988	1995	2002	2002
Costa Rica	1954	1979	1978	1995	2002	2002
Cuba	1957	-	1997	1995	-	-
Dominican Rep.	1983	1983	1997	1995	2006	2006
Ecuador	1957	1991	1991	1996	2002	2002
El Salvador	1978	1978	1994	1995	2002	2002
Guatemala	1964	-	1997	1995	2003	2003
Haiti	1954	-	1996	1996	-	-
Honduras	-	-	1990	1995	2002	2002
Mexico	1957	1975	1967	1995	2002	2002
Nicaragua	1961	-	2000	1995	2003	2003
Panama	1962	1980	1996	1997	2002	2002
Paraguay	1961	-	1992	1995	2002	2002
Peru	1963	1985	1988	1995	2002	2002
United States	1954	1972	1989	1995	2002	2002
Uruguay	1993	1993	1967	1995	2009	2008
Venezuela	1966	1996	1982	1995	-	-

Data Sources: Organization of American States and World Intellectual Property Organization, 2014. Notes: (1) Indicates year of acceding or adhering; (2) Indicates year of entry in force.

COPYRIGHT, CAUSALITY, AND THE COURTS

by MICHAEL EINHORN, PH.D.*

I. INTRODUCTION

Per the terms of the U.S. Copyright Act (17 U.S.C. § 504(b)), a copyright plaintiff has the option to recover from a proven infringer the actual damages suffered as a consequence of the wrongful act, as well as any additional profits earned from the infringement but not otherwise taken into account.[1] In this calculus, the plaintiff must prove only the infringer's gross revenue; the infringer bears the burden of proving deductible expenses and elements of profit that are attributable to factors other than the copyrighted work.[2] While a prevailing plaintiff may receive as a windfall more profits than she could have earned otherwise, the purpose of profit disgorgement is clear; the law aims to prevent the infringer from unfairly benefitting from a wrongful act.[3] The legal framework of copy-

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[1] The copyright statute also provides to plaintiffs an option for restitution via statutory damages of no less than $750 nor more than $30,000 per infringement. Willful infringers may be punished up to a maximum of $150,000 per infringement. 17 U.S.C. § 504 (2012).

[2] Thus, the law presumes that, once infringement has been proven, all of the infringer's gross revenue is initially attributable to that infringement, and thus recoverable. *See* 4 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 14.03[B] (2008).

[3] H.R. REP. 94-1476, at 161 (1976) ("[D]ifferent purposes [are] served by awards of damages and profits. Damages are awarded to compensate the copyright owner for losses from the infringement, and profits are awarded to prevent the infringer from unfairly benefiting from a wrongful act."). The congressional intent at the inception of the Copyright Act of 1976 appears to differ from the stated purpose of § 25(b) of the superseded 1909 Copyright Act, which had awarded to a copyright owner "all the profits which the infringer shall have made from such infringement," . . . [in order] to provide just compensation for the wrong, not to impose a penalty by giving to the copyright owner profits that are not attributable to the infringement." Sheldon v. Metro-Goldwyn Corp., 309 U. S. 390, 399 (1940).

right damages then seeks to preserve incentives to create intellectual property, dissuade potential infringers, and preserve common equity.

However, a copyright plaintiff carries a burden as well. The plaintiff may be called upon in a motion for summary judgment, judgment as a matter of law, or a trial or appeal to provide or reaffirm to the court some non-speculative evidence of a reasonable relationship or causal nexus between the infringing use and the defendant's profits that are to be disgorged and paid to the plaintiff. The demonstration of the causal connection involves evidentiary standards that have never been codified and that appear to differ by circuit.

This article reviews some of the more important cases where courts have ruled on the plaintiff's burden of proving causality. It here attempts to provide to the legal practitioner a roadmap of issues that can come to bear on the matter.

II. ADVERTISING AND PROMOTION

Claims regarding the causal connection may apply to both direct and indirect infringements of an owner's copyright. An infringement is *direct* when the copyrighted work itself is used without authorization, either alone or commingled as part of a product or event;[4] e.g., an infringing song used on a record album or at a concert. By contrast, an infringement is *indirect* if the copyrighted work is used to sell another product; e.g., a song in an advertisement or live promotion.[5] Neither term is defined or referred to in the Copyright Act.

Indirect infringement of a copyrighted work as part of an advertisement or promotion seems to be the usual area where defendants may challenge causality. However, at least since *Deltak v. Advanced Systems, Inc.*,[6] courts have recognized that an infringer's profits arising from infringing advertisements can be legally recoverable. However, because the facts of causality from the infringement to the defendant's revenues are often difficult to establish, the likelihood of recovery is nonetheless uncertain.[7] A number of circuit cases highlight the issues.

A. Estate of Vane v. The Fair

In *Estate of Vane v. The Fair*,[8] a Texas retail store, The Fair, used the plaintiff's photographic slides of store merchandise as part of several

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[4] *See infra* note 13 and accompanying text.

[5] *Id.*

[6] 574 F. Supp. 400 (N.D. Ill. 1985).

[7] *Id.* at 411 (holding that sales arising from infringing advertising were too speculative on facts, although acknowledging in principle that such recovery may be possible).

[8] 849 F.2d 186 (5th Cir. 1985).

dozen television commercials that featured a sequenced photographic display of items on sale in the store. After the plaintiff's expert, Herbert Lyon, presented a complex statistical study that showed that the advertisement generated merchandise sales at The Fair, the court ruled that the proper causal test could implicate only the connection between the defendant's merchandise sales and those individual Vane photographs that were elements of the commercial sequence.[9] In contrast to *On Davis* (*infra*) — where the infringing element in an advertisement was used only to enhance viewer appeal and not to promote specific products — the Estate would presumably have recovered some share of defendant's profits if Professor Lyon had been able to demonstrate a tighter connection between the infringing photographs and product sales.

The case of *Estate of Vane* might have reached great influence in 2011 had pleadings gone further in the matter of *Vergara Hermosilla v. Coca-Cola Company*.[10] During the 2010 World Cup, Coca-Cola broadcast to world audiences a very popular television commercial that featured as background music a song that Coke commissioned from the African composer, K'naan. (entitled *Wavin' Flag Celebration Mix*). For television broadcasts in Spanish-speaking countries, Coke modified K'naan's songs with lyrics created by songwriter Rafael Vergara Hermosilla. The defendant also invoked in its pleadings *Estate of Vane* to argue that causality must be established directly between Vergara's *actual lyrics* and sales of Coca Cola. That Vergara's contested lyrics were designed primarily as an instrument to complement and enhance the message behind K'Naan's commissioned melody — a highly compensated musical work that itself ran through the entire Coke commercial — was of no apparent consequence to the defendant's legal analogy. Coke eventually prevailed in summary judgment after proving before the court that the plaintiff had granted to Coke permission for use.

B. On Davis v. The Gap

In 2001, Judge Pierre Leval of the Second Circuit authored the frequently-cited case of *On Davis v. The Gap*.[11] Designer plaintiff On Davis sought to recover damages from the clothing chain The Gap after the chain ran public advertisements with one of the pictured actors dressed in ornamental eyeglasses designed by Davis. While The Gap did not actually make Davis' eyeglasses available for sale and used them only as costume props in their ads (unlike *Estate of Vane*, *supra*), the plaintiff sought nonetheless to define as defendant's gross revenues the entire amount of The

[9] *Id.* at 189.
[10] No. 10-21418 (S.D. Fla. Feb. 23, 2011).
[11] 246 F.3d 152 (2d Cir. 2001).

Gap's $1.668 billion that resulted from the sale of *all* store merchandise in all chain outlets during the interval when the ad was run.

A lower court declined to order any profit disgorgement after finding that defendant revenues bore no *reasonable relation* to the infringement itself.[12] The Second Circuit upheld; "gross revenue under the statute means gross revenue reasonably related to the infringement, not unrelated items."[13] Consequently, the defendant recovered no portion of general merchandise sales at The Gap. Resisting the authority of Nimmer,[14] the Second Circuit did allow Davis to recover — per Section 504(b) — actual damages equal to the lost licensing revenues of $50 that represented a fair market value that would otherwise have expectedly been earned in an arms-length transaction.[15] The causal connection was implicated in a number of later district court cases involving indirect infringement in the Second Circuit.[16]

C. Mackie v. Rieser

In *Mackie v. Rieser*,[17] professional sculptor Jack Mackie designed urban street sculpture on the streets of Seattle. The Seattle Symphony Orchestra had printed an infringing photo of one of Mackie's works, *The Tango*, on one page of a twenty-four page promotional brochure that it mailed to potential subscribers at the beginning of the concert season. The plaintiff attempted to recover a fraction of subscription profits that purportedly resulted from the pictured use of his sculpture in the brochures.

Here, the Ninth Circuit upheld a district court summary judgment that held that Mackie failed to prove a causal connection between the infringement and the defendant's sales. The court held that the orchestra's

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[12] On Davis v. The Gap, No. 97 Civ. 8606 (RWS) 1999 WL 199005, at *9 (S.D.N.Y. Apr. 9, 1999).

[13] *On Davis*, 246 F.3d at 160 (citing Taylor v. Meirick, 712 F.2d 1112 (7th Cir. 1983) (regarding a mapmaker who sought to recover profits from sales of all maps sold by an infringer, not just those that infringed his copyright. "It was not enough to show the defendant's gross revenues from the sale of everything he sold.")). *Id.* at 1122.

[14] 4 NIMMER & NIMMER, *supra* note 2, § 14.02[A], at 14-13–17 (arguing that actual damages could not implicate lost licensing fees).

[15] *On Davis*, 246 F.3d at 161.

[16] *See, e.g.*, Mager v. Brand New Sch., No. 03-cv-8552, 2004 U.S. Dist. LEXIS 21686, at *11 (S.D.N.Y. Oct. 28, 2004); Mannion v. Coors Brewing Co., 2007 U.S. Dist. LEXIS 82909 (S.D.N.Y. No. 7 2007); Granger v. Gill Abstract Corp., 566 F. Supp. 2d 323, 330 (S.D.N.Y. 2008); Zoll v. Ruder Firms, Inc., No. 02-cv-3652, 2004 U.S. Dist. LEXIS 4129, 2004 WL 527056, at *2 (S.D.N.Y. Mar. 16, 2004); Fleurimond v. New York Univ., No. 2:09-cv-03739, 2011 U.S. Dist. LEXIS 83288, at *13-14 (E.D.N.Y July 29, 2011).

[17] 296 F.3d 909 (9th Cir. 2002).

infringement was *indirect*[18] and thus comparable to *University of Colorado Foundation v. American Cyanamid Co.*,[19] a related patent ruling where the Federal Circuit ruled favorably to the defendant on matters related to the causal connection.

The court established a threshold inquiry; "there must first be a demonstration that the infringing acts had an effect on profits before the parties can wrangle about apportionment."[20] Moreover, a district court could properly preclude "recovery of a defendant's profits if they are only remotely or speculatively attributable to the infringement."[21]

D. Polar Bear Productions v. Timex

In *Polar Bear Productions, Inc. v. Timex Corporation*,[22] Timex infringed on a video production studio by continuing after a license period to use video sequences from a promotional film that the studio had produced on the watchmaker's behalf. In addition to awarding to plaintiff actual damages, a federal jury in district court awarded the plaintiff a $2.1 million for disgorgement of indirect profits that Timex purportedly earned through use of the copyrighted images at twelve trade shows and in a promotional campaign associated with the soft drink Mountain Dew. The jury also awarded the valuation of the brand enhancement that Timex had come to enjoy. After finding that the plaintiff had sufficiently proven causality regarding the trade shows and the Mountain Dew promotion, the Ninth Circuit as a matter of law deemed as speculative the jury's decision to award to the plaintiff Timex's revenues arising from appreciated goodwill or brand value,[23] and remanded the case for a new trial.[24]

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[18] Id. at 914.

[19] 196 F.3d 1366, 1375 (Fed. Cir. 1999) ("The plaintiff has the burden to demonstrate nexus between the infringement and the indirect profits before apportionment can occur.").

[20] *Mackie*, 296 F.3d at 915.

[21] *Id.* at 914 (citing Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505, 517 (9th Cir.1985)).

[22] 384 F.3d 700 (9th Cir. 2004).

[23] In the course of his analysis, plaintiff expert Robert Hansen posited that a significant portion of the price increase for Timex's watches during a four-year period arose from favorable feelings generated by Timex's promotional efforts, and that between one-quarter and one-half of that effect arose from the copyright infringements at the twelve trade shows. The court deemed Hansen's exercise to be too speculative. *Id.* at 710. *See also* Burns v. Imagine Films Entm't, Inc., 164 F.R.D. 589, 594 (W.D.N.Y. 1996), where plaintiff writer of infringed screenplays sought to recover profits earned from an amusement ride related to the movie; Business Trends Analysts v. Freedonia Grp., Inc. 650 F. Supp. 1452 (S.D.N.Y. 1987), where the court ruled that goodwill enhancement as an indirect profit arising from an

E. Lucky Break Wishbone v. Sears Roebuck

The Ninth Circuit later came to favor the plaintiff in *Lucky Break Wishbone v. Sears, Roebuck & Co.*[25] Sears had distributed to shoppers an ornamental wishbone as part of a promotion that included special coupons that could be redeemed at Sears outlets. Upholding a district court opinion, the Ninth Circuit ruled that the plaintiff had provided sufficient *circumstantial evidence* to prove causality; i.e., shoppers redeemed the wishbone coupons at a 42.7% higher rate than other comparable coupons.[26]

F. Bouchat v. Baltimore Ravens

In *Bouchat v. Baltimore Ravens Football Club*,[27] the plaintiff Frederick Bouchat was an amateur artist who designed a logo that the Ravens adopted unknowingly for display on team helmets and fan merchandise. In a bifurcated trial where Bouchat initially prevailed on liability, the plaintiff sought to recover from the defendants (i.e., the Ravens and National Football League Properties) indirect profits earned from broadcast rights and ticket sales, and direct profits earned from the sale of clothing and other merchandise directly bearing his infringed artwork. Citing *On Davis* and *Mackie*, the Fourth Circuit upheld a partial summary judgment that Bouchat could not recover any indirect revenues earned from ticket sales, broadcast rights, and food and parking because the plaintiff either could not demonstrate a conceivable connection between the infringement and the revenues earned, nor present any non-speculative evidence of a causal link between the infringement and actual revenues earned.[28] Additional parts of the *Bouchat* ruling regarding the direct infringements are discussed in Section 3 of this article.

G. Andreas v. Volkswagen of America, Inc.

The plaintiff fared better in the Eighth Circuit in *Andreas v. Volkswagen of America, Inc.*[29] Here, writer Brian Andreas sued Volkswagen/Audi and its advertising agency McKinney & Silver after the defendants

infringement was theoretically recoverable, but not justified per the specific facts of the case now before it.

[24] This remand was made necessary only because the jury did not specify in its total award the valuation of this increment related to Timex's additional goodwill, which otherwise could have been deducted immediately from the total due of $2.1 million.

[25] 373 Fed. App'x 752 (9th Cir. 2010).

[26] *Id.* at 757.

[27] 346 F.3d 514 (4th Cir. 2003).

[28] *Id.* at 522-23.

[29] 336 F.3d 789 (8th Cir. 2003).

used some of his copyrighted text in a television commercial for VW's new TT coupe. After a district court jury awarded Andreas $575,000 of disgorged profits from sales of the TT, VW prevailed on a motion to vacate the jury verdict.

The Eighth Circuit reinstated the jury verdict. Reading the evidence in the required light most favorable to the plaintiff, the court ruled that the jury had sufficient circumstantial evidence to support its finding and thus the award was not overly speculative.[30] In this context, the Court found that the infringement was the centerpiece of a commercial that showed nothing but the TT, the commercial came to receive industry awards and bonuses for its creators, and the TT came to outsell VW projections.

H. District Court Decisions

Two recent district court decisions in the Ninth Circuit regarding causality in advertising and promotion bear mention. In *Garcia v. Coleman*,[31] plaintiff photographer Roland Garcia brought suit against the Sonoma Ridge winery for reproducing his work on the product label on its bottles. The district court refused to grant the defendant's motion for a judgment as a matter of law, which aimed to overturn the jury's decision based on unproven causality. Unlike the indirect infringements in *Mackie* and *Polar Bear*, the copyrighted image in *Garcia* was not part of an advertisement for the product. Rather, *it was an integral part of the product itself*, and thus — to my mind — a direct infringement of a copyrighted image in a commingled work. The court rejected the defendant's notions that a host of other factors – brand name, price, etc. — could have more pronouncedly affected the sales of wine.

In *Thale v. Apple, Inc.*,[32] plaintiff Taea Thale sued Apple after it used one of her posted photographs in a television commercial for promotion of its new iPhone. The plaintiff established that Apple disregarded the license posted along with her photo, was enthusiastic about the commercial importance of the picture, and used the infringed image as the central visual focus for five seconds of a thirty-second television commercial. The court nonetheless denied recovery of profits because the plaintiff — invoking *Andreas* (*supra*) — failed to prove that her specific photograph generated sales of the iPhone for a period of time reasonably related to the limited airing (two weeks) of the commercial. Moreover, the airing was synchronous with two other Apple advertisements.

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30 *Id.* at 797.

31 No. C-07-2279 (N.D. Cal. Mar. 24, 2009).

32 No. C-11-03778 (N.D. Cal. June 26, 2013).

III. MERCHANDISE AND EVENTS

Less common matters involving the causal connection may relate to direct infringement where the infringing work was actually a component of merchandise or a paid event. In a landmark case involving direct infringement, the Ninth Circuit upheld plaintiff's recovery of direct profits from a musical revue that performed a number of infringing compositions. In contrast, the Fourth Circuit later shut down plaintiffs in causality matters involving direct infringement in stadium merchandise, architecture, and entertainment events. Both cases established precedents that often appear elsewhere.

A. Frank Music v. MGM Grand

In *Frank Music v. MGM Grand*,[33] the Ninth Circuit considered an infringement matter that did not explicitly invoke any opinion on causal connection. Nonetheless, the matter implicated the use of musical compositions as part of a musical revue, as well as additional defendant revenues earned on surrounding properties. In *Frank Music*, the plaintiff publisher of the musical *Kismet* sued the renowned Las Vegas hotel after the establishment infringed upon five songs in one act (entitled *Kismet*) of a nightly revue that featured musical highlights from different productions in ten acts. The infringing revue, *Hallelujah Hollywood*, ran for 1,700 performances in the 1970s. In a bifurcated appeal, the circuit court allowed the plaintiff to recover a share of *direct profits* earned from ticket sales; the share was eventually fixed by the Court at 9% (see below).[34] The court also declined to find clearly erroneous the lower court's award of an additional 2% of *indirect profits* related to other transactions at the hotel — e.g., room accommodations, casino, and restaurant.[35]

The evidence of a connection between the infringed music and all defendant revenues was circumstantial. That is, the plaintiff did not put forth any audience member to testify that she bought a ticket to the revue in order to hear music from *Kismet*. Nor did it seem relevant to the court's decision what fraction of the audience (if any) was actually aware of the featured segment before purchasing tickets. With regard to indirect profits earned elsewhere on the property, the Ninth Circuit too found suitable linkage from circumstantial evidence.[36]

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[33] 886 F.2d 1545 (9th Cir. 1989) (Frank Music II).

[34] *Id.* at 1557.

[35] *Id.* at 1549.

[36] Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc., 772 F.2d 505, 517 (9th Cir. 1985) (Frank Music I) (citing MGM's 1976 Annual Report: "the hotel and gaming operations of the MGM Grand — continue to be materially enhanced by the popularity of the hotel's entertainment, [including] Hallelujah Hollywood, the spectacularly successful production revue.")

In addition to preserving a plaintiff's right of recovery in direct and indirect infringements, the Ninth Circuit then turned to apportionment of defendant revenues. With regard to the direct infringement in the musical revue itself, the court set forth a two-step heuristic for apportioning profits from an entertainment event to those commingled components that infringe copyright. Reversing a lower court finding, the Ninth Circuit assigned 75% of the value of the nightly revue to the combined musical component from all ten acts. For its part, the *Kismet* segment accounted for 12% of the running time of the show. In this respect, the court fixed its apportionment of ticket profits as 9.0% = 75% x 12%.[37]

B. Walker v. Forbes

The Fourth Circuit heard the 1994 matter of *Walker v. Forbes, Inc.*,[38] which would come to form a precedent in the district court decision of *Bouchat v. Baltimore Ravens*,[39] and later opinions in the Fourth Circuit with regard to causality and revenue disgorgement. Plaintiff Wesley Walker owned the copyright to a photograph of a South Carolina tycoon that Forbes printed in a magazine article. Disappointed with a jury verdict that awarded him a judgment, but only actual damages of $5,823, Walker sought a new trial based on damages alone. When he was denied, Walker contended that the judge erred by not giving two jury instructions that he had requested. Walker then sought on appeal to recover apportioned defendant revenues, which were earned from advertising, subscriptions, and newsstand sales of the magazine.

The court declined to require the disgorgement of any revenues from advertising and subscriptions. Since these transactions with Forbes were established before the work was actually imprinted, advertisers and subscribers were consequently unaware of the presence of the photo. Of the

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[37] *Frank Music II*, 886 F.2d at 1548 n.2. Had the matter gone to trial, this procedure from *Frank Music* would have found an applicable situation in *Fitness Quest v. Universal Music Publishing*, No. 5:2002-cv-02528 (N.D. Ohio Jan. 7, 2004). Fitness Quest, a putative infringer seeking declaratory judgment, had synchronized Universal's music in a five-minute soundtrack interval that was used in an exercise tape. As a direct component that enhances viewer enjoyment of the tape, the entire musical soundtrack could have been assigned a rebuttable presumption of a reasonable relation (*see supra*, *On Davis*. Section II.B). The court could then have allowed plaintiff to present defendant revenues and thus challenge the defendant to present both costs and a suitable apportionment technique for the infringing element of the soundtrack. The court here could have applied the two-step heuristic from *Frank Music*, i.e., the initial apportionment of merchandise profits to the musical soundtrack and the apportionment of the soundtrack to its infringing component.

[38] 28 F.3d 409 (4th Cir. 1994).

[39] 215 F. Supp. 2d 611 (D. Md. 2002).

remaining newsstand sales (amounting to 2.9% of total revenues), the plaintiff was entitled to a recovery of one-ninth of one page — the space consumed by the infringement.[40] The plaintiff's eventual revenue recovery was higher than the actual damages of $100, corresponding to the missed licensing fee normally paid to photographs.[41]

C. Bouchat v. Baltimore Ravens

In addition to pursuing a claim for revenues generated by ticket sales and broadcast rights from the Baltimore Ravens[42], Frederick Bouchat also sought to recover a share of merchandise in which his logo appeared. With regard to merchandise, the court upheld a district court partial summary judgment that excluded recovery of defendant profits earned from license transactions that involved the distribution of free goods or minimum guarantees that were established before the infringing work was actually imprinted; license revenues here were fixed and immutable and therefore unaffected by consumer behavior.[43] Also summarily excluded were sales of trading cards, video games, and game programs that could not have been influenced by the presence of the logo.

With regard to non-excluded merchandise (e.g., t-shirts, caps, souvenir cups), the court upheld a jury verdict that awarded no disgorgement for the plaintiff. Plaintiff here failed to present to the jury anything more than a fact-free speculation of connection in response to defense evidence that the infringing image did not affect sales of this particular merchandise.[44] The critical caveat: "unsupported speculation is not sufficient to defeat a summary judgment motion."[45] Here, the Fourth Circuit extended the precedents of *On Davis* and *Mackie* into matters of *direct infringement.* In so extending these rulings, it applied the causality test to products in which the infringement was a commingled component. The application of causality to direct infringement seems unique to this Circuit.

D. Bonner v. Dawson

In *Bonner v. Dawson*,[46] architect Kenneth Bonner sued a defendant construction company for use of his architecture plans to construct a façade built into a commercial building. After a jury affirmed liability and allowed Bonner to recover actual damages, the district court ruled on

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[40] *Walker*, 28 F.3d at 411.
[41] *Id.* at 410.
[42] *See supra*, Section 2.
[43] Bouchat v. Baltimore Orioles Football Club, Inc., 346 F.3d 514 (4th Cir. 2003).
[44] *Id.* at 525.
[45] *Id.* at 526 (citing Felty v. Graves-Humphreys Co., 818 F.2d 1126, 1128 (4th Cir. 1987)).
[46] 404 F.3d 290 (4th Cir. 2005).

plaintiff's JMOL that Bonner could not disgorge anything because he failed (per *Bouchat*) to establish the requisite causal link between his plans and subsequent builder revenues.

The Fourth Circuit overruled on the causality issue. Bonner had established the requisite causal connection because the building could not have existed without his plans. The court nonetheless denied profit recovery from the direct infringement after determining that the revenue transaction of the building would have occurred at the same price regardless of the presence of the façade; the appropriate apportionment of profits was zero. Though winning on liability, the plaintiff then failed to recover any defendant revenue because he failed to prove that his work *actually increased* the price of the infringing building.[47]

E. Dash v. Mayweather

The Fourth Circuit in 2013 considered another direct infringement in a live event in *Dash v. Mayweather*.[48] Plaintiff Anthony Dash of South Carolina was a young music producer and the creator in 2005 of a musical composition TONY GUNZ BEAT. Plaintiff contended that co-defendants Floyd Mayweather and Cory Harris incorporated the work onto an infringing musical composition named YEP. At Mayweather's behest, the derivative work was performed before and after a Mayweather match that was performed at a *Wrestlemania* event in March 2008.

Whatever the general subliminal benefits of music as a commingled element in arousing wrestling audiences,[49] the Fourth Circuit nonetheless affirmed a district court summary judgment that held that the plaintiff failed to produce any previous license, benchmark, or personal affidavit that would prove that his particular work had any market value; plaintiff allegations to the contrary were entirely speculative.[50] The undeniable fact that the song was *actually used* was apparently insufficient for the district and circuit courts to perceive a jury question as to whether the use of the song could control *any positive price*, and thus have had *any market value* (sic). With regard to proving causality before disgorging profits, the same circuit court ruled (per *Bouchat*) that Dash similarly failed to show that his particular work contributed to any transaction related to performer compensation, ticket sales, merchandise, licensing, etc.[51]

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47 *Id.* at 295.

48 731 F.3d 303 (4th Cir. 2013).

49 This explains why World Wrestling Entertainment for thirty years has licensed rights for musical compositions (including Bruce Springsteen and Red Hot Chili Peppers, inter alia) and employed staff composers to write theme music for the main performers.

50 *Dash*, 731 F.3d at 316.

51 *Id.* at 333.

IV. BOOK PUBLISHING

A number of similar cases involving direct infringements of photographs and artwork in textbooks have been filed in recent years against book publishers Houghton Mifflin Harcourt Publishing Company (HMH), Pearson Education, Inc., McGraw-Hill Companies, and John Wiley & Sons, primarily by the copyright litigation firm Harmon & Seidman.[52] Comparable rulings have come from district courts in Colorado (*Wood v. Houghton Mifflin Harcourt*),[53] Illinois (*Bergt v. McDougal Littell*),[54] and New York (*Semerdjian v. McDougal Littell*).[55]

In connection with its publication of a 1,200 page language arts textbook, *The Language of Literature*, that was first released in 2000, defendant HMH (or its subsidiary McDougal Littell) infringed on each of a small number of visual works owned by three individuals.[56] The infringement of each work appeared on no more than one page of a book that HMH would eventually print in four editions. In each case, the publisher paid to the respective rights owner a license fee of $200-$300 for the right to include his or her work in 40,000 first-run copies of the book. HMH then came to infringe copyright in each work in over one million other copies sold afterward, grossing $64 million in sales.

The works were integrated components within the book and not used separately to promote its sales.[57] The *Wood* opinion thus analogized the situation to the oft-cited example of an infringing poem used as part of a published anthology[58] and copyrighted songs in a larger musical revenue (citing *Frank Music*), rather than the indirectly infringing use of a copyrighted text or image to advertise a car (citing *Andreas*) or season tickets to the symphony (citing *Mackie*). The three courts thus invoked similar reasoning to deny the defendant's motion for summary judgment related to the purported absence of causality.

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[52] *See infra*, notes 77–79.

[53] 589 F. Supp. 2d 1230 (D. Colo. 2008).

[54] 661 F. Supp. 2d 916 (N.D. Ill. 2009).

[55] 641 F. Supp. 2d 233 (S.D.N.Y. 2009).

[56] Ted Wood, nine photos; Hilda Semerdjian, three paintings; Michael Bergt, one painting.

[57] *Bergt*, 661 F. Supp. 2d at 927.

[58] *Wood*, 589 F. Supp. 2d at 1245 (citing On Davis v. The Gap, 246 F.3d 152, 160 (2d Cir. 2001)) ("Thus, if a publisher published an anthology of poetry which contained a poem covered by the plaintiff's copyright, . . . the owner's burden would require evidence of the revenues from the sale of the anthology containing the infringing poem. The publisher would then bear the burden of proving its costs attributable to the anthology and the extent to which its profits from the sale of the anthology were attributable to factors other than the infringing poem, including particularly the other poems in the volume.").

There are three elements in consideration here.

1. Market Value: Plaintiffs sufficiently demonstrated that their works have market value simply because HMH had willingly paid some elemental fee to include the works in their textbooks.[59] Moreover, the district court held that the company's commingled use of the visual works as a direct infringement in its textbook demonstrates sufficient causality to allow plaintiff to proceed to establish defendant's gross revenues from book sales; "the Seventh Circuit has required only a minimal connection between revenue and infringement in direct profits cases."[60]

2. Congressional Intent and Equity: It is consistent with congressional intent to enforce upon plaintiff a light burden regarding causality. "Profits are awarded to prevent the infringer from unfairly benefitting from a wrongful act."[61] In this regard, the *Wood* court also found compelling the Supreme Court's admonishing dictum: "an infringer who commingles infringing and noninfringing elements must abide the consequences unless it can make a separation of the profits so as to assure to the injured party all that justly belongs to him."[62] Moreover, the limited plaintiff burden is justified as a matter of equity.[63]

3. Causal Evidence: The judge in each case heard and rejected defense experts who opined that the infringements of the visual works could not possibly have induced anyone to purchase the book.[64] In this regard, the *Bergt* court found persuasive testimony from plaintiff's expert Lance Fuhrer that visual displays in textbooks generally enhance

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59 *Id.* at 1246.

60 *Bergt*, 661 F. Supp. 2d at 927 (citing Taylor v. Meirick, 712 F.2d. at 1122 (7th Cir. 1983)).

61 *Wood*, 589 F. Supp. 2d at 1244 (citing H.R. REP. 94-1476 (1976), *reprinted in* 1976 U.S.C.C.A.N at 5777); *see also* Thornton v. J Jargon Co. 580 F. Supp. 2d 1261, 1279-80 (M.D. Fla. 2008); Andreas v. Volkswagen Corp. of Am. 336 F.3d 789, 795 (8th Cir. 2003).

62 *Wood*, 589 F. Supp. 2d at 1245 (citing Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539, 576 (1985) (quoting Sheldon v. Metro-Goldwyn Pictures Corp., 309 U.S. 390, 406, (1940)).

63 *Semerdjian*, 641 F. Supp. 2d 233, 247 (S.D.N.Y. 2009) (quoting Data General Corp. v. Grumman Systems Support Corp., 36 F.3d 1147, 1176 (1st Cir.1994)) ("Often, as in this case, the defendant has mixed infringing material with non-infringing material and created one commingled work. Equity places the burden on a defendant to unravel the threads.")

64 *Wood*, 589 F. Supp. 2d at 1245 (citing *Andreas*, 336 F.3d at 787) ("[I]t is not necessary to demonstrate causality by putting on the stand a fact witness to testify that she bought the book because of the infringing pictures."); *see also Semerdjian*, 641 F. Supp. 2d at 248 (citing Polar Bear Prods., Inc. v. Timex Corp., 384 F.3d 700, 715 (9th Cir. 2004) ("[T]here is no requirement that Polar Bear put Timex customers on the witness stand to testify that they purchased watches because of Timex's use of 'Paddle Quest' images.")

value and increase sales by facilitating selection of the books by screening committees that appreciate visual display.[65] Moreover, the *Wood* Court made the observation that the very fact that the publisher pays fees to put images in its textbooks illustrates that the publisher believes images have value. "[P]ublishing companies are not in the business of subsidizing photographers; they are in the business of maximizing their sales . . . to maximize their profits."[66]

As the primary matter of this article, the district court in *Semerdjjian* came to a conclusion regarding causality in direct infringement that is quite different than *Bouchat* or *Dash*. "Courts' use of the decision to buy inquiry reflects the more attenuated causal link between infringement and a defendant's revenues where the copyrighted work is *not part of the product sold. This inquiry is not necessary* to establish causation in a direct profits case, as here."[67] Moreover, "the infringing use of a copyrighted work in a product for sale can cause revenues by increasing the value of the product for sale. A copyrighted work need not directly affect demand for a product to affect revenues and profits."[68] By this standard, plaintiffs thus established a sufficient causal relationship to defendant's profits by proving that their works appeared as commingled material in textbooks sold to the public.[69]

V. MORAL HAZARD

As distinguished from acts of pure negligence, copyright infringement frequently implicates conscious decisions to infringe — or not infringe — upon property rights of other citizens. The provisions of the law may then present opportunities for *moral hazard* — i.e., business tactics that actors may consciously consider and implement in order to enhance opportunities for private gain at the expense of others. In so far as copyright is concerned, these decisions evidently took place in matters now under our discussion. Timex assured Polar Bear that its works would be properly licensed for any necessary period, Apple disregarded a restrictive license posted on a Web site, and textbook publishers became serial infringers

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[65] *Bergt*, 661 F. Supp. 2d at 928 (citing Fuhrer Dep., 109:7-10); *see also* citations re witnesses Lankiewicz (*id.* at 920) and Fantasia (*id.* at 929).

[66] *Wood*, 589 F. Supp. 2d at 1246.

[67] *Semerdjian*, 641 F. Supp. 2d at 248 (emphasis added).

[68] *Id.* at 248.

[69] *Wood*, 589 F. Supp. 2d at 1246; *Bergt*, 661 F. Supp. 2d at 927 n.8; *Semerdjian*, 641 F. Supp. 2d at 247 (citing Design v. K-Mart Apparel Corp., 13 F.3d 559, 564 (2d Cir.1994)). Bergt also recognized that HMH, in paying to include images in its language arts textbooks, "clearly believes . . . that paying licensing fees for photographs makes good business sense . . . [I]t can be inferred that language arts publications with good graphics sell better, and generate more profits, than [otherwise]." *Id.* at 927.

after paying to copyright owners small licensing fees for limited use. Nonetheless, the issues posed by strategic moral hazard do not appear in any court ruling on the issue of causality.

A. Advertising and Promotion

There are two apparent sets of moral hazards in indirect cases involving advertising and promotion. First, plaintiff claims for recovery of apportioned profits can be quite aggressive (e.g., merchandise sales in *On Davis*, ticket sales in *Bouchat*, concert subscriptions in *Mackie).* In such cases, it seems appropriate for courts to grant summary judgments denying recovery from defendants in order to reduce speculation. This would serve as a disincentive to legal adventurism by would-be plaintiffs.

On the other hand, prospective users will have great opportunity to misappropriate copyrighted works if the plaintiff's burden is unduly high. In the expansive domain of advertising, sponsors and agents could compose a catchy ad based on an infringing work, offer *ex post* to the infringed composer or artist the missed license fee, and challenge prospective plaintiffs to explain how *their particular work* (narrowly defined) caused any sales revenues that can be rightfully disgorged.[70]

B. Merchandise and Tickets

In the Fourth Circuit, plaintiff Wesley Walker was unable to recover any part of advertising and subscription revenues earned by infringing magazines that displayed his copyrighted work. Based on similar reasoning, Frederick Bouchat was unable to recover any profit from infringing merchandise — bearing his art as a central emblem — that the district court excluded from consideration. This outcome occurred because of the sequence of the implicated transactions; the sued parties committed to transactions and guarantees ahead of time, and presumably independent of any act of direct infringement. Nonetheless, *Walker* and *Bouchat* establish *an apparent loophole* for prospective merchandise sellers and event planners who may come to structure their contracted engagements in a similar sequence. Once this moral hazard is recognized, both opinions seem inconsistent with congressional intent to dissuade acts of infringement.[71]

Regarding *Dash,* the musical background of professional wrestling is a direct part of the product package that enhances consumer enjoyment of

[70] *See* Vergara Hermosilla v. Coca-Cola Co., No. 10-21418 (S.D. Fla. Feb. 23, 2011) (only the lyrics).

[71] *See supra* note 3; *see also* Thornton v. J Jargon Co. 580 F. Supp. 2d 1261, 1279-80 (M.D. Fla. 2008).

the entertainment event;[72] music leads to fan enjoyment, word of mouth, and possible return to the next event. If the *reasonable relationship* between musical works and event profit can be implied by the direct nature of the infringement at hand (i.e., the music was used in the event), plaintiff Dash could have rightfully been awarded (re: the two-step heuristic in *Frank Music*[73]) for his musical work based on the imputed contribution of the music. As stipulated in 17 U.S.C. § 504 and in *Frank Music*, the defendant could have been called on to provide the appropriate apportioning factors for the value of the musical background and the share of time consumed by the infringing work.

The court also found that the plaintiff presented no evidence of actual damages. As a matter of economics, the reasoning is incomplete. If any product has positive use at a zero price (where demand expectedly exceeds supply), this market result itself presents clear economic evidence that the work could be licensed at some higher positive price (however small) that brings about a supply-demand equilibrium. At such a price, a willing buyer and willing seller would presumably transact in an arms-length negotiation.[74] The court's test, related to the proven marketability of infringed works, could be harmful to any plaintiff in "thin markets" — i.e., wherever previous licensing of the work did not ensue and no reasonable benchmarks could be found.[75]

The Fourth Circuit's decision *Bonner v. Dawson* also raises concerns. Here, the Court acknowledged that the plaintiff actually contributed a primary causal element — architectural plans — to the defendant's infringing building. Nonetheless, the Court ruled out any recovery of defendant's revenues because the plaintiff could not demonstrate that the infringement had any *incremental effect* on selling price or profit. If taken to its evident conclusion, *Bonner v Dawson* would allow a wide range of similar thefts. Hypothetically, this could include a theft in a movie of screenplay elements, musical compositions, and/or depicted characters, and the nullifying arguments that prices were not incrementally affected and no additional profits discernible from the inclusion of these commingled works.

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[72] *See supra* note 45.

[73] *See supra* note 33 and accompanying text.

[74] *See* On Davis v. The Gap, 246 F.3d 152, 172 (2d Cir. 2001).

[75] For recent thin market litigation in recent years, involved, see, e.g., Jacobsen v. Katzer, No. 3:2006-cv-019 (N.D. Cal.) (software algorithms); Timpco, LLC v. Implementation Servs., LLC, No. 1:2008-cv-01481 (S.D. Ind.) (proprietary training manuals); Melk v. Pennsylvania Med. Soc'y, 2:2008-cv-03515 (E.D. Pa) (promotional brochures); and Lyons v. Gillette, No. 1:2011-cv-12192 (D. Mass.) (compilations of ideas for new professional programs).

C. *The Publishers' Cases*

The three Houghton Mifflin courts rejected the publisher's motions for summary judgment and thus did not agree that limited-run license obviates the need to compensate rights owners fully for use of their works. This kind of activity with limited run licenses seems to be pervasive in book publishing; it has come to court in copyright matters involving other major defendants — Pearson Education,[76] John Wiley,[77] Random House,[78] and McGraw Hill[79] as well.

If the generic publisher defense were allowed, these same publishers might come to perfect the application of a new business model based on copyright infringement. That is, an editor can engage creators of visual art, chapters, poems, etc. to enter first-run licensing contracts for a modest fee, and then run the presses overtime to meet predictably greater demands. In the event that the creator discovered the overruns and sought additional compensation, the publisher could offer some settlement amount by extending proportionately the original fee agreement that it should have simply paid in the first place. The defendant — an apparent copyright infringer — could then file a motion for summary judgment challenging the plaintiff to prove rigorously a causal relationship between the infringing use of his/her work and sales of the final product. As a practical consequence, the publisher would be free to infringe without paying any profit disgorgement for unauthorized uses, and may succeed in getting away with some uncompensated works (beyond actual damages that may yet be recoverable).

VI. COMBINATORIAL JURISPRUDENCE

A suitable concluding case that considers the complex issues regarding the causal connection is *Thornton v. J Jargon Co.*[80] The matter involved an unauthorized distribution of the plaintiff's copyrighted trivia quiz (the "Age Test") as a component of theater playbills distributed at productions of *Menopause: The Musical.* It clearly implicated a direct infringement, as the playbill was an audience perquisite of paid admission to the show. However, as the attendees did not know the contents of the playbill ahead of time, no audience member could possibly have bought tickets in order to receive the playbill. Consequently, the *Thornton* case

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[76] Bean v. Pearson Educ., Inc., 949 F. Supp. 2d 941 (D. Ariz. 2013).

[77] Grant Heilman Photography, Inc. v. John Wiley & Sons, Inc., No. 11-cv-01665 (E.D. Pa. 2012).

[78] Beidleman v. Random House, Inc., No. 1:07-cv-01347 (D. Colo. 2008).

[79] DRK Photo v. McGraw-Hill Cos., Inc., No. 3:12-cv-08093 (D. Ariz. 2013).

[80] 580 F. Supp. 2d 1261 (M.D. Fl. 2008)

implicates a direct infringement with a questionable causal connection between the profits of the musical and the infringing use.

Judge Whittemore of the Middle District of Florida faced an intriguing situation — there was no circuit court precedent on the causal connection in the Eleventh Circuit. He then identified two alternative jurisprudential standards for requisite evidence and proof. First, he set forth the need to prove a *causal connection* between defendant's revenues and the *infringing use* of the plaintiff's particular work, which he associated with opinions in the Fourth and Ninth Circuits.[81] Alternatively, he set forth the need to demonstrate a discernible, *reasonable relationship* between the defendant's revenues and *infringing activity* that includes the infringed work as a commingled element. He ascribes the latter standard to the Second, Seventh, and Eighth Circuits.[82]

In choosing among the conflicting standards, Judge Whittemore denied the defendant's motion for summary judgment, which claimed that plaintiff failed to prove the requisite causality. Here, he invoked congressional intent behind the Copyright Act to favor the *reasonable relationship* standard; playbills enhance the theater experience and are required by the rules of Actor's Equity.[83] That is, the U.S. Congress expressly contemplated in 1976 a light burden on the plaintiff and the disgorgement of the defendant's profits in order to prevent the infringer from benefitting from a wrongful act.[84]

VII. CONCLUSION

Unlike the four factors of fair use, common law standards for examining the causal connection between infringing works' profits and the infringing use are not listed in a statute (or anywhere else) for the benefit of advising counsel, or for explicit consideration in other court jurisdictions. Such a listing would seem useful to the application and evolution of legal standards on this matter.

Four considerations may be useful:

1. Use the reasonable relationship standard to preserve equity and Congressional intent: Judge Whittemore here convincingly invoked Congressional intent behind the Copyright Act of 1976 to come to favor the reasonable relationship standard; i.e., the U.S. Congress expressly

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[81] *Id.* 1279 (citing Bouchat v. Baltimore Orioles Football Club, Inc., 346 F.3d 514, 522-23 (4th Cir. 2003); Mackie v. Rieser, 296 F.3d 909, 915-16 (9th Cir. 2002)).

[82] *Id.* (citing On Davis v. The Gap, 246 F.3d 152, 160 (2d Cir. 2001); Taylor v. Meirick, 712 F.2d 1112, 1122 (7th Cir. 1983); Andreas v. Volkswagen of Am., Inc. 336 F.3d 789, 796 (8th Cir. 2003)).

[83] *Id.* at 1280.

[84] *Id.* (citing H.R. REP. No. 94-1476, at 161 (1976)).

contemplates a light burden on the plaintiff and the disgorgement of the defendant's profits in order to prevent the infringer from benefitting from a wrongful act. Judge Whittemore also distinguished an infringing use of a particular work from the infringing activity that encompasses it; as a matter of equity, he would allow recovery of the defendant's revenues earned from the infringing activity, which is the more expansive.

2. Distinguish willful and non-willful acts. There is a difference between willful and non-willful acts of copyright infringement; i.e., the former infringer expectedly considers the consequences but has the incentive to attempt to game the system. Courts that increase the plaintiff's burden to demonstrate causality also increase the plaintiff's anticipated costs — and the likelihood of dropping the matter. This may widen the loophole for infringers and create adverse incentives for compliance — infringe now, pay damages (i.e., the appropriate license fee) later. In cases of willful infringement, the causality standard can also be made less demanding.

3. Distinguish direct and indirect. From this author's perspective, a plaintiff who establishes *willful direct infringement* of his/her work as a commingled element in the structure of another work should have an immediate equitable claim to an apportioned share of profits earned from its theft. That is, a direct infringer who commingles a direct copyright infringement should be obliged (per the Supreme Court in *Harper & Row, Publishers v. Nation Enterprises*)[85] to carry its full burden to an evidentiary hearing. If nothing else, the plaintiff could use the additional evidence presented before trial to take into account the additional defendant profits earned from the infringement, and so garner a higher statutory damage award.[86] For its part, the defendant yet has a fair opportunity to minimize its profits disgorgement by setting forth a credible means for profit apportionment between infringing and noninfringing elements in the commingled work.

4. Consider the widespread effects of behaviors writ large. A stated Supreme Court concern in *Sony v. Universal*[87] — regarding possible market harm arising from overly generous allowances for fair use — can be extended to behaviors that exploit copyrighted works in other manners. "Isolated instances of minor infringements, when multiplied many times, become in the aggregate a major inroad on copyright that must be prevented."[88] This is a compelling consideration,

[85] *See supra* note 62 and accompanying text.
[86] *See supra* note 1 and accompanying text.
[87] Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 451 (1984).
[88] *Id.*

particularly as it applies to strategic behaviors that involve dodging tactics that follow knowing infringement. As the book publisher cases show (see Section IV), dishonest tactics can be carefully learned by one defendant from a prior defendant, and those tactics will be defended dutifully by attorneys hired to protect their respective clients.

4. Enforce Punitive Damages: The terms of the present 17 U.S.C. § 504 are appropriately applied in instances of direct or indirect infringement where liability and causality can both be proven. In those instances where infringement is proven but a causal connection from infringement to revenues is not discernible, the statute may specify some measure of punitive damages based on proven actual damages and the egregiousness of the defendant's behavior. The concept here is drawn from the structure of patent law, where courts may now set punitive damages up to triple the actual damages.[89] In contrast, the Copyright Act now makes no explicit provision for punitive damages whatsoever. Punitive standards would be more effective if small claims cases could be referred to a special tribunal, a position advanced by the U.S. Copyright Office in September, 2013.[90]

[89] 35 U.S.C. § 284 (2012).

[90] UNITED STATES COPYRIGHT OFFICE, COPYRIGHT SMALL CLAIMS 4 (2013).

FREE TRADE IN BOOKS: THE 1878 ROYAL COMMISSION ON COPYRIGHT

by BARBARA LAURIAT*

ABSTRACT

The doctrine of free trade dominated Victorian policy discussions for decades — including those about copyright law. But the application of free trade doctrine to copyright policy discussions was not at all straightforward. Professed free trade supporters disagreed profoundly on the question of copyright. Some saw it as an illegitimate restriction on trade, while others viewed it as a mode of enforcing a natural property right. Why did the application of free trade doctrine to copyright policy result in such widely divergent positions on the proper scope and purpose of copyright law? This article attempts to answer that question, focusing on the 1878 Royal Commission on Copyright as illustrative of the extent to which free trade doctrine failed to guide copyright policy consistently. The complex relationship between free trade and copyright is a powerful example of the extent to which political ideologies are not predictive of individual views on the optimal scope of copyright protection.

INTRODUCTION

The doctrine of free trade dominated Victorian political discourse for decades, including the debates about copyright law. But professed free trade advocates could and did disagree profoundly on the question of copyright. Some saw it as an illegitimate restriction on trade, while others viewed it as a mode of enforcing a natural property right. Why did the application of free doctrine to copyright policy result in such widely divergent positions on the proper scope and purpose of copyright law? This article attempts to answer that question by focusing on Britain's Royal Commission on Copyright, which reported in 1878.[1] Examining different perspectives of copyright law exhibited by Commission members and witnesses, with many presented in the dress of free trade doctrine, illustrates

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[1] *See generally* Barbara Lauriat, *Revisiting the Royal Commission on Copyright*, 17 J. WORLD INTELL. PROP. 47 (2014) for a discussion and critique of treatments of the Royal Commission on Copyright in modern scholarship in copyright history and publishing history.

the extent to which political ideologies are not predictive of individual or collective views on copyright policy.

Free trade had emerged as a strong movement within the liberal programme in Britain by the early nineteenth century.[2] It was still central to political culture at the time when the Commission held its meetings in the 1870s,[3] and several of the key witnesses and members of the Copyright Commission grounded their arguments in the economic doctrine of free trade, particularly as it was expounded by the intellectual and political leaders of the Manchester School.[4]

The widespread influence of free trade doctrine in the mid-nineteenth century cannot easily be overstated. To Victorians in the second half of the century, "Free Trade had become a habit of mind."[5] The Manchester School, a political movement led by founders of the Anti-Corn Law League, Richard Cobden and John Bright, captured the minds of many influential politicians and public figures of the day. Cobdenism "was at once a body of doctrine, a powerful and highly organised movement for reform and a significant element in the growth of a great political party."[6] Its followers applied their economic credo with religious zeal, and indeed, to a great degree, free trade doctrine was informed by moral and religious principles.[7] As Cecil Fifoot observed, until the early twentieth century, in England "Free Trade remained the orthodox creed, and heresy, though noisy, was as yet ineffective."[8] Indeed, after Cobden's death in 1866, a private London club was formed and named for him, with a membership dedicated to furthering free trade doctrine. Unlike other London clubs, the Cobden Club had a publishing arm dedicated to producing and distributing his speeches and writings and those of like-minded others. The attachment to Cobden was sentimental as well as religious and political; fifty

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[2] ROBERT LEACH, POLITICAL IDEOLOGY IN BRITAIN 23, 39 (2009); GEORGE M. YOUNG, PORTRAIT OF AN AGE 50 (1936).

[3] MARTIN DAUNTON, WEALTH AND WELFARE: AN ECONOMIC AND SOCIAL HISTORY OF BRITAIN 1851–1951, at 206 (2007).

[4] While one might refer to the political and economic position of the free traders as a *laissez-faire* doctrine, the term *laissez-faire* was used infrequently by the mid-Victorians. Benjamin Disraeli himself coined the expression 'the school of Manchester' to refer to Cobden and his ilk in an 1846 debate. ROBERT BLAKE, DISRAELI 231 (1966).

[5] YOUNG, *supra* note 2, at 50.

[6] ARTHUR J. TAYLOR, LAISSEZ-FAIRE AND STATE INTERVENTION IN NINETEENTH-CENTURY BRITAIN 29 (1972).

[7] "The vision of free trade leading inexorably to the establishment of international peace and harmony became elevated in Cobden's mind into a quasi-religion." GEOFFREY R. SEARLE, MORALITY AND THE MARKET IN VICTORIAN BRITAIN 199 (1998); LEACH, *supra* note 2, at 39.

[8] CECIL FIFOOT, ENGLISH LAW AND ITS BACKGROUND 187 (1932).

years after the repeal of the Corn Laws, a free trade periodical attempted to foster a movement to wear blue cornflowers in Cobden's memory.[9]

But "free trade" in nineteenth-century Britain encompassed a wide variety of positions. It could, but did not always, entail laissez-faire policies.[10] The very popularization of political economy and free trade doctrine had led to an over-simplification of many of its tenets and a glossing over of the profound disagreements of many of its supposed adherents.[11] The Copyright Commission is an example of this diversity of views within free trade doctrine. As Paul K. Saint-Amour writes, "if the 1876–1878 Commission debates teach us anything, it is that the rubric of free trade could shelter completely adverse viewpoints."[12]

Roughly, one might predict that an individual who favoured strong protection of private property and free markets might also favour the strong protection of copyright as property with fewer government limits on the scope and duration of that property. But such individual might instead view copyright law as government intervention creating monopolies that interfere with the free market. An individual with socialist leanings might be more sympathetic to the government's regulation of the market through copyright law. Conversely, a socialist might be more concerned with the limitations of placing proprietary control on information in private hands and want cheap literature to be widely available. Ideological labels provide little guidance when it comes to copyright law.

The Royal Commission was appointed by the Government in 1876 with the broad remit of inquiring into the law of copyright.[13] Its membership came from a variety of backgrounds including politicians, economists, and gentleman from the arts; it included individuals representing a range of the interests affected by copyright legislation.[14] Lord John Manners; the civil servant and economist Sir Louis Mallet; the novelist Anthony Trollope; the composer Sir Julius Benedict; the jurist, philosopher, and journalist James Fitzjames Stephen; novelist and Member of Parliament Edward Jenkins; and the historian and biographer James Anthony Froude

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9 Sampson Morgan, *The Free Trade Jubilee. Why the Blue Cornflower Should Be Worn in Memory of Richard Cobden*, *in* 4 A HISTORY OF THE FREE-TRADE MOVEMENT IN ENGLAND (Augustus Mongredian ed., London, Cassell & Co. 1897).

10 LEACH, *supra* note 2, at 39.

11 SEARLE, *supra* note 7, at 38-39.

12 PAUL K. SAINT-AMOUR, THE COPYWRIGHTS: INTELLECTUAL PROPERTY AND THE LITERARY IMAGINATION 87 (2003).

13 A Royal Commission on Copyright was originally appointed in 1875, but was dissolved due to the death of its chairman.

14 It could therefore fall into the category of a "representative commission." Barbara Lauriat, *'The Examination of Everything:' Royal Commissions in British Legal History* 31 STATUTE L. REV. 24, 30-32 (2010).

were all members. The Commission conducted dozens of hearings over the better part of two years before producing its 1878 report, which diagnosed the current law as "wholly destitute of any sort of arrangement, incomplete, often obscure."[15]

Once it had acknowledged that reform of some kind was necessary, the Commission had to recommend domestic reforms and provide guidance for the government's international and colonial policy on copyright. Many of the debates on the Commission centered on whether the reforms should be particularized or whether a more dramatic overhaul of the copyright regime was necessary, particularly with regard to the Colonies. The Board of Trade had responsibility for copyright and patents at the time, and its representatives appeared before the Commission with a dramatic proposal to replace copyright — colonially and perhaps domestically — with a mandatory system of royalties. Politically, this could only be achieved if copyright were deemed not to be a proprietary right. Inevitably, knotty questions about the nature of property were raised as being of vital importance. The question of whether copyright was a property right or a mere-state granted privilege loomed large.

Writing on the nature of copyright law the nineteenth century, T.E. Scrutton found the Commission's seeming contradictions to be symptomatic of the complex nature of copyright law itself.

> We have a commission, appointed by a Conservative Government and presided over by a Conservative peer, recommending a form of legislation with regard to literary property which is denounced as the most pernicious communism when applied to land; and, while the measure of our earlier history, concerning "forestallers and regraters," and fixing the price of bread and other material necessaries, are considered as monuments of the obsolete errors of our less enlightened ancestors, we find the same commission in effect advising that the price of literary commodities should be fixed by the state. A subject which causes such divergence in controversy, and leads to such startling results, clearly deserves the most careful investigation, to be conducted on a method as purely scientific as possible.[16]

Scrutton noticed the anomalies that arise when copyright debates are examined through a lens of political thought. Copyright policy sat uneasily within the framework of his basic understandings of conservative and socialist ideology. To demonstrate some of the "divergence in controversy"

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[15] ROYAL COMMISSION ON COPYRIGHT, ROYAL COMMISSION ON THE LAWS AND REGULATIONS RELATING TO HOME, COLONIAL AND FOREIGN COPYRIGHTS; REPORT, MINUTES OF EVIDENCE (1878) [hereinafter RCC Report, RCC Minutes].

[16] THOMAS E. SCRUTTON, THE LAWS OF COPYRIGHT 1-2 (London, John Murray 1883).

and explore some of the "startling results" that Scrutton identified more than a century ago is the intention of this article.

The father of political economy Adam Smith had given tacit approval to copyrights and patents in 1776 in *The Wealth of Nations*.

> When a company of merchants undertake, at their own risk and expence, to establish a new trade with some remote and barbarous nation, it may not be unreasonable to incorporate them into a joint stock company, and to grant them, in case of their success, a monopoly of the trade for a certain number of years. It is the easiest and most natural way in which the state can recompense them for hazarding a dangerous and expensive experiment, of which the public is afterwards to reap the benefit. A temporary monopoly of this kind may be vindicated upon the same principles upon which a like monopoly of a new machine is granted to its inventor, and that of a new book to its author.[17]

Thus, Smith's recorded observations on copyright law are limited and provided little guidance for his nineteenth-century successors. Copyright and patents were seen as a sui generis legal oddity to be considered on their own terms.

While copyright was generally viewed as a subject removed from politics and political economy, strong political and economic views did sometimes lead the holder to strong views on copyright. Radical free trader Robert Andrew Macfie became sceptical of copyright and other forms of intellectual property as he became convinced they were contrary to classical liberal ideas of political economy.[18] Yet, radical American libertarian Lysander Spooner wrote a treatise calling for perpetual copyright, also drawing on classical liberal ideas of political economy.[19] Harriet Martineau, author of *Illustrations of Political Economy* (1832), a great popularizer of political economic thought in the mid-nineteenth century, saw copyright law as an expression of natural justice. She had assisted lawyer and politician Serjeant Talfourd in the effort to expand and lengthen the duration of copyright protection that eventually resulted in the 1842 Copyright Act.[20] She felt betrayed, however, by her hero Macaulay when he delivered his famous speech before the Commons on the copyright bill.

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[17] 5 ADAM SMITH, AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS, 119 (Edwin Cannan ed., London, Methuen 5th ed. 1904) (1776).

[18] 1 ROBERT A. MACFIE, COPYRIGHT AND PATENTS FOR INVENTIONS (T. & T. Clark 1879). *See also* Charles Oppenheim, *Robert Andrew Macfie, Patents, Copyright, Libraries and Legal Deposit*, 4 INTELL. PROP. Q. 383, 386-87, 391-96 (1998).

[19] LYSANDER SPOONER, THE LAW OF INTELLECTUAL PROPERTY OR AN ESSAY ON THE RIGHT OF AUTHORS AND INVENTORS TO A PERPETUAL PROPERTY IN THEIR IDEAS (Boston, Bela Marsh 1855).

[20] CATHERINE SEVILLE, Literary Copyright Reform in Early Victorian England: The Framing of the 1842 Copyright Act 176, 182-83 (1999).

Macaulay famously presented copyright as a necessary evil to prevent the greater evil of patronage, but he disapproved of term extension beyond what was absolutely necessary.[21] As Macaulay's nephew and biographer asserted, "never has any public man, unendowed with the authority of a Minister, so easily moulded so important a piece of legislation into a shape which so accurately accorded his own views, as did Macaulay the Copyright Act of 1842."[22] Talfourd's original proposal, influenced and supported by poet William Wordsworth, would have extended the term to life of the author plus sixty years.[23] Instead, the 1842 Act established the first post-mortem copyright term, but extended it only to forty-two years or life plus seven years, whichever was longer.[24]

Macaulay's critical assessment of the bill was grounded both in his position as an author himself and his adherence to utilitarian principles in determining the optimal scope and term of the proposed copyright. He labelled copyright a "monopoly," a necessary measure to encourage authorship and publication, but one that should extend no further than it must to remain effective. "The principle of copyright is this. It is a tax on readers for the purpose of giving a bounty to writers."[25] Thus, he plainly rejected the natural property rights arguments; copyright should exist simply because utility demanded that authors have a means to support themselves and patronage was undesirable. Macaulay's grudging and conditional approval of copyright law and cautious approach to its term was adopted by many other Liberal free trade-advocates in the following decades.

In Martineau's *Autobiography*, however, she described the reaction of some of their ilk who were appalled by Macaulay's position on copyright. He had, in her view, "associated himself discreditably . . . with the copyright bill."[26] She continued:

> What could have been the inducement to [Macaulay] to talk such nonsense as he did, and to set at naught every principle of justice in regard to authors' earning, it is impossible, to me and others, to conceive. Nothing that he could propose, — nothing that he could do, could ever compensate to him for the forfeiture of good fame and public confidence which he seems to have actually volunteered in that speech. He changed his

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21 Thomas B. Macaulay, *Speech to House of Commons, Feb. 5, 1841, in* SPEECHES, POEMS, & MISCELLANEOUS WRITINGS (THE WORKS OF LORD MACAULAY) 667 (London, Longmans, Green & Co. 1898). *See also* SEVILLE, *supra* note 20, at 31-32, 60-67.

22 GEORGE OTTO TREVELYAN, LIFE AND LETTERS OF LORD MACAULAY 433 (1911).

23 SEVILLE, *supra* note 20, at 18.

24 Copyright Act, 1842, 5 & 6 Vict., c. 45 (Eng.).

25 5 Feb. 1841, 56 Parl. Deb., H.C. (3d ser.) 341-60 (U.K.).

26 HARRIET MARTINEAU, AUTOBIOGRAPHY 265 (2007).

> mind or his tactics afterwards; but he could not change people's feelings in regard to himself, or make any body believe that he was a man to be relied upon.[27]

But Macaulay's rhetoric of copyright as a monopoly was to persist in the following decades. Influential utilitarian philosopher and political liberal John Stuart Mill was broadly supportive of patent and copyright. In his *Principles of Political Economy*, he briefly addressed patents and copyrights, arguing that they should not be condemned as monopolies by advocates of free trade. He expressed his disapproval, primarily on moral grounds, of attempts to challenge the economic foundations upon which the patent and copyright laws rested.

> It is generally admitted that the present Patent Laws need much improvement; but in this case, as well as in the closely analogous one of Copyright, it would be a gross immorality in the law to set everybody free to use a person's work without his consent, and without giving him an equivalent. I have seen with real alarm several recent attempts, in quarters carrying some authority, to impugn the principle of patents altogether; attempts which, if practically successful, would enthrone free stealing under the prostituted name of free trade, and make the men of brains, still more than at present, the needy retainers and dependents of the men of money-bags.[28]

Rather than protection being granted as a necessary evil, in Mill's view, the absence of protection for authors would itself be a "gross immorality."

Years later, the novelist, playwright, and copyright activist Charles Reade[29] also wrote disapprovingly about Macaulay's influence on the development of copyright law, challenging the "copyright is monopoly" trope. Echoing the words of Mill, he opined, "but for Macaulay's rhetoric, and his popular cry 'Monopoly,' Parliament would have refunded us our property for sixty years. . .. [Free Trade] is a foolish and inapplicable phrase. Free trade is free buying and selling, not free stealing."[30]

On the other side of the political spectrum, the protectionists — the opponents of free trade doctrine — were themselves conflicted on the subject of copyright. Radical American protectionist Henry Carey opposed international copyright agreements on the grounds that America needed cheap literature, and he was suspicious of copyright more generally because he thought it rewarded the "middle men" he found so detrimental to

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27 *Id.* at 265-66.

28 5 JOHN STUART MILL, PRINCIPLES OF POLITICAL ECONOMY 25 (London, Longmans, Green & Co. 7th ed. 1909) (1848).

29 For additional background on Reade's involvement with the Royal Commission on Copyright, see Barbara Lauriat *Charles Reade's Roles in the Drama of Victorian Dramatic Copyright*, 33 COLUMBIA J.L. & ARTS 1 (2009).

30 CHARLES READE, *The Rights and Wrongs of Authors*, *in* READIANA 111, 131 (London, Chatto & Windus 1896).

society. In his view, it benefited most those who clothed the ideas of others in their own expression rather than rewarding those who produced the original ideas.[31] A British pro-protectionist newspaper reacted against free trade attacks on copyright, arguing that aristocratic patronage was the best mode of obtaining high quality literature, but that copyright as it existed was better than a royalty system. "The Free-traders of the present day are not content with the removal of protection from what we eat, drink, and wear; they would have a free trade in literature; they would do away with patronage; they would abolish copyright; they would make the author entirely dependent on public favour."[32] This was an attempt by the paper to place copyright within the framework of traditional, land-focused, nineteenth-century Tory protectionism. Literature was at its best, ran this protectionist argument, when the aristocrats recognized and rewarded quality. Patronage was probably preferable to copyright, but copyright was better than relying entirely on public favour through a system of royalties.

Liberal jurist and law writer Scrutton himself approved of copyright, but after examining the purpose and foundation of copyright, he described the nature of the law as essentially "communistic":

> Literary and artistic productions are treated as property, but that property is created in, and limited by, the interests of the community. Strictly dealt with, it should be limited until further limitation defeats its own ends. This of course is nothing else than reversion of a man's property to the community on his death, a system which was one of the first steps by which individual property was carved out of the property of the community, and which is one of the suggestions of Communism or Socialism at the present day. I do not point this out as an objection to the system, for I think it the right one, but rather that its true character be seen.[33]

Yet Froude, who shared his mentor Thomas Carlyle's scepticism of the free trade extremists, thought the Board of Trade's royalty-based alternative to copyright law was far more socialistic than the existing proprietary copyright regime. Asking provocatively whether "the Board of Trade has been converted to Socialism?," Froude observed that the government was not prepared to set prices for necessities like food and clothes but the

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[31] Henry Carey, *Letters on International Copyright, Philadelphia (1853)*) at 10-13, 23, PRIMARY SOURCES ON COPYRIGHT (1450–1900) (Lionel Bently & Martin Kretschmer eds. 1853) *available at* http://www.copyrighthistory.org. *See also* ADRIAN JOHNS, PIRACY: THE INTELLECTUAL PROPERTY WARS FROM GUTENBERG TO GATES 309 (2010).

[32] LANCASTER GAZ. & GEN. ADVERTISER FOR LANCASHIRE, WESTMORLAND, YORKSHIRE, & C. 4, May 25, 1850.

[33] SCRUTTON, *supra* note 16, at 290-91.

Board of Trade's proposal to set mandatory royalties was akin to setting prices for books.[34]

These examples, and many others, demonstrate that arguments for and against strong copyright protection are liquid enough to be moulded into contradictory political frameworks. Despite this malleability, they also illustrate why one cannot easily argue that copyright is a wholly extra-political issue. Arguments in favour of the proposal and arguments against could each draw from principles of free trade-based political economic theory. Then, as now, the blunter tools of classical liberalism tend to be of little use in clarifying or resolving knotty copyright law controversies.

This article specifically examines the positions of witnesses Farrer, Macfie, and Spencer, all free trade advocates and witnesses before the Royal Commission, and those of Commissioners Froude, Mallet, and Fitzjames Stephen. Farrer was sceptical of copyright and in favour of moving to a royalty system; Macfie was even more radically anti-copyright. Mallet was an ardent free trader and great friend of Farrer, whose dissent from the majority Report provided an economic argument against copyright based in his own conception of value that is still cited today. Yet, Herbert Spencer, whose name has become almost synonymous with extreme nineteenth-century classical liberalism, was in favour of strong copyright protection and his arguments as a witness, along with those of T.H. Huxley, proved highly damaging to the positions of Farrer, Macfie, and Mallet.

Froude was one of the Commissioners least sympathetic to free trade doctrine and most vocal about author's rights — his position represents a sceptical counterpoint to the ardent free traders. Fitzjames Stephen was a political enemy of Farrer, and he is now recognized as an important conservative philosopher. His ultimate conclusions on copyright seem, despite his antagonism to Farrer as a witness, to have common ground with those of Farrer and Mallet — differing where his reservations about democratic principles and the desirability of cheap books took hold. Thus, this article provides an exploration of several individuals' carefully-constructed views on copyright and how they were informed by their underlying political positions in a historical context. While it becomes clear that the application of free trade principles — or any other political ideology — to inform copyright law policy is by no means straightforward and can lead different people to opposite conclusions, this analysis also demonstrates how views on copyright are not apolitical, but can be, and often are, informed by broader political ideologies.

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[34] James A. Froude, *The Copyright Commission*, 304 Edinburgh Rev. 153 (1878).

I. FREE TRADE AND THE BOOK TRADE IN THE NINETEENTH CENTURY

For a vast imperial power like Victorian Britain, questions of trade held enormous political significance. The influential Anti-Corn Law League was founded in 1838; in the 1840s, the ideal of widespread free trade took firm hold in Britain. The protectionists were thwarted, and for about fifty years, free trade doctrine "held the field as an unassailable dogma of economic policy,"[35] shaken only by the depression of 1880.

The economic theories articulated by Cobden and Bright extended well beyond tariffs on agricultural products; free traders kept an eye out for "monopolies" wherever they might be found. To some, various forms of intellectual property were inherently suspect due to their monopolistic nature. For the free traders, "monopoly" was a dirty word: the antithesis of the competitive market that free trade was intended to create. Not that they were all in agreement as to the definition of monopoly. As publisher Edward Marston, a witness before the Commission, explained:

> A Quaker was once bitten by a dog. Said the Quaker, "Friend, I will not kick thee; I will give thee a bad name. I will call thee *bad dog*!" A rheum in the Quaker's nose made *bad* sound like *mad*. So, the little boys took up stones and cudgels, shouting "mad dog," and pursued the poor animal till he died. In like manner Mr. Farrer and Sir Louis Mallet are bitten with the idea that the present system of publishing is a *bad* one. They, though grudgingly, throw a sop to authors, but the "parasitic growth of the publishing interest" with which authors are 'so inextricably intertwined' is strongly denounced, under the cry of "*monopoly*."[36]

Free trade was more than a laissez-faire attitude to trade itself, it encompassed a particular understanding of human character and the nature of society; adherence to free trade doctrine was a "moral statement."[37] "Free trade in books" predictably became one of the goals of the free trade movement, but it was not immediately clear what this goal entailed.[38] Should Britain grant copyrights to foreign authors even though their countries granted no rights to British authors? Should it seek to enter into international agreements? Or should it simply stop treating

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[35] ALBERT V. DICEY, LECTURES ON THE RELATION BETWEEN LAW & PUBLIC OPINION IN ENGLAND DURING THE NINETEENTH CENTURY 24 (1914).

[36] EDWARD MARSTON, COPYRIGHT, NATIONAL AND INTERNATIONAL FROM THE POINT OF VIEW OF A PUBLISHER 31 (London, S. Low, Marston, Searle & Rivington 1879).

[37] DAUNTON, *supra* note 3, 206-07.

[38] For example, while not directly related to questions of the effects of copyright, calls for free trade in books arose in the 1850s in relation to the retail price-enforcing efforts of the Booksellers Committee. *See* JAMES J. BARNES, FREE TRADE IN BOOKS: A STUDY OF THE LONDON BOOK TRADE SINCE 1800 (1964).

copyright as a property right? The government imposition of "a tax on readers," with the unfortunate side-effect of discouraging the salubrious activity of reading, was deemed a suspect procedure by many free traders, even if they agreed with the desired end of producing a national literature and an educated public. Complicating the matter was confusion about the existing laws and the idiosyncratic nature of the Victorian book trade. As Mill himself observed, the book trade had traditionally been a self-governing system grounded in custom where "notwithstanding the active spirit of rivalry in the trade, competition does not produce the natural effect in breaking down the trade rules."[39]

In the early nineteenth century, the book trade in Britain had settled into an unusual model, much of it dependent on sales of high-priced novels to circulating libraries.[40] The first private subscription libraries appeared in the 1740s and were in regular use by the 1760s.[41] Both the popularity of the novel as a literary form and the popularity of circulating libraries as a mode of distribution grew together, and the two were increasingly interdependent.[42] Supplies were kept low and prices high.[43] Under this publication and distribution model, book prices rose steadily from the late eighteenth century through the first twenty-five years of the nineteenth.[44]

The English book trade was to change dramatically over the course of the nineteenth century,[45] with the 1850s arguably representing a "great turning-point in the history of the English book trade's relationship with the mass public."[46] Technological developments, such as the steam-print-

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[39] 1 JOHN STUART MILL, THE PRINCIPLES OF POLITICAL ECONOMY (London, John W. Parker & Son, 3d ed. 1852) (1848). Barnes observes that this edition was published shortly before the 1852 controversy over retail price-fixing. *See* BARNES, *supra* note 38, at 130.

[40] Subscription libraries charged members an annual fee. Members were also expected to invest in shares in the library. Circulating libraries also charged subscription fees to users. For a discussion of the power of the circulating libraries in the novel market, *see* JOHN FEATHER, A HISTORY OF BRITISH PUBLISHING 150-59 (1988); GUINEVERE GRIEST, MUDIE'S CIRCULATING LIBRARY & THE VICTORIAN NOVEL (1970).

[41] MARJORIE PLANT, THE ENGLISH BOOK TRADE 264 (1939); Simon Eliot, *From Few and Expensive to Many and Cheap: The British Book Market 1800–1890*, *in* A COMPANION TO THE HISTORY OF THE BOOK 291, 297-99 (Simon Eliot & Jonathan Rose eds., 2009).

[42] 2 THE ENCYCLOPEDIA OF THE NOVEL 640 (Peter Melville Logan et al. eds., 2011).

[43] GRIEST, *supra* note 40, at 79-81.

[44] PLANT, *supra* note 41, at 414.

[45] Eliot, *supra* note 41, at 291.

[46] ROBERT ALTICK, THE ENGLISH COMMON READER: A SOCIAL HISTORY OF THE MASS READING PUBLIC 294 (1957).

ing press, social and political movements, increased literacy rates, and improved transatlantic communication all contributed to a significant reduction in book prices in the 1850s.[47] But there was already some movement from within the trade to counter the trend of selling few, expensive books as early as 1826. Charles Knight and his Society for the Diffusion of Useful Knowledge showed that publishing cheap copies of new works could be financially viable, and by 1850, cheap pocket editions were sold in railway bookstalls.[48] The practice of serialization of novels in periodical literature also became widespread after the success of Dickens's *Pickwick Papers* in 1836–37.[49] To obtain the most desirable books, however, in the first half of the nineteenth century, a subscription to a circulating library, such as the dominant Mudie's and its railway-based competitor, W.H. Smith, was necessary, and it could take quite a long time to gain access to a popular new book.[50]

The term of copyright was extended to twenty-eight years or the life of the author by statute in 1814, and the scope of copyright gradually expanded to cover musical and other artistic productions through caselaw and legislation. After five years of lobbying by Serjeant Talfourd,[51] the 1842 Act established the first post-mortem copyright term, extending it to forty-two years or life plus seven years, whichever was longer.[52] The copyright bills proposed were controversial, with many high-profile supporters and critics from the worlds of politics and letters.[53] At the same time as these debates over the optimal term of copyright were taking place, the goal of free trade was taking hold of English political thought; consequently, free trade doctrine became increasingly important to discussions of publishing and copyright reform.[54] Macaulay's 1841 speech, for example, questioned the extent to which the scope and duration of copyright protection could be justified on grounds of utility.[55] It was initially unclear how free trade doctrine could apply to books, and whether they could and should be treated like any other commodity.

In 1829, major booksellers and publishers met to set retail and trade prices, and an organisation known as the Booksellers' Association grew

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47 AILEEN FYFE, STEAM-POWERED KNOWLEDGE: WILLIAM CHAMBERS AND THE BUSINESS OF PUBLISHING 1820–1860, at 1-8 (2012).

48 BARNES, *supra* note 38, at 33; PLANT, *supra* note 41, at 414-15.

49 *See* NORMAN N. FELTES, *The Production of a Commodity Text: The Moment of Pickwick*, *in* MODES OF PRODUCTION OF VICTORIAN NOVELS 1 (1986).

50 GRIEST, *supra* note 40, at 82.

51 SEVILLE, *supra* note 20, at 6.

52 Copyright Act, 1842, 5 & 6 Vict., c. 45 (Eng.).

53 *See generally* SEVILLE, *supra* note 20.

54 *Id.* at 23-24.

55 Macaulay, *supra* note 21.

out of this arrangement.[56] Booksellers took action against those of their number who undersold their product, preventing competition and keeping the prices artificially high.[57] When in 1848, the Booksellers' Association attempted once again to fix prices, the booksellers were accused of collusive pricing and blocking competition from the market.[58]

Opposition to the Booksellers' Association came from those competing booksellers who wished to undersell the dominant firms and also from the free trade movement, which had gained considerable momentum by that time.[59] The issue, which became known as the "Bookselling Question," attracted a great deal of attention from the press and public and divided the publishing profession.[60] A number of publishers were opposed to the practices of price-fixing, such as John Chapman.[61] But the dominant firms, such as William Longman, who had had been Chairman of the Booksellers' Association,[62] and Richard Bentley remained strongly in favour of setting book prices.[63]

The government appointed a committee to examine the question of books and free trade, and many authors and politicians joined the debate relating to the complex relationship between books and free trade.[64] Were books a commodity like any other? Did free trade apply to books? The Committee resolved that it did, and deemed the Booksellers' Association's practices opposed to free trade. Their resolution had the support of Macaulay, Cobden, Wilkie Collins, Carlyle, Dickens, Gladstone, and John Stuart Mill.[65] Herbert Spencer submitted a letter to *The Times* arguing against the retail pricing of books,[66] and Gladstone was particularly vocal in his objection to the monopolistic practices of the booksellers.[67] Under the pressure, the Bookseller's Association disbanded in 1852 and the price-fixing stopped. This, in turn, led to a several-decades period of crisis

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56 BARNES, *supra* note 38, at 30-47; FEATHER, *supra* note 40, at 145-46.

57 PLANT, *supra* note 41, at 420-44.

58 BARNES, *supra* note 38, at 19; FEATHER, *supra* note 40, at 146.

59 BARNES, *supra* note 38, at 35, 121-40.

60 *Id.*

61 BARNES, *supra* note 38, at 32.

62 *Id.* at 49.

63 *Id.* at 32.

64 FEATHER, *supra* note 40, at 146.

65 JOHN CHAPMAN, A REPORT OF A MEETING (CONSISTING CHIEFLY OF AUTHORS), HELD MAY 4TH, AT THE HOUSE OF MR. JOHN CHAPMAN: 142, STRAND, FOR THE PURPOSE OF HASTENING THE REMOVAL OF THE TRADE RESTRICTIONS ON THE COMMERCE OF LITERATURE (London, John Chapman 1852).

66 Herbert Spencer, TIMES (London), Apr. 5, 1852, at 6.

67 PLANT, *supra* note 41, at 436; BARNES, *supra* note 38, at 75.

and decline for the bookselling trade — the state in which it was found by the Copyright Commission.[68]

The manner of printing and distributing books and the collusive practices of book sellers were not the only factors cited as contributing to the unsatisfactory situation. The copyright system itself has sometimes been blamed for its role in perpetuating the system of expensive books and circulating libraries that kept book purchasing out of the reach of many private individuals.[69] Books in English were more expensive in England than those sold elsewhere, particularly in jurisdictions where English authors were unable to obtain copyright protection. As Board of Trade representative T.H. Farrer would testify before the Royal Commission on Copyright, the price of a first edition of *Daniel Deronda* in England was 42*s.*, in Canada, under an Act allowing for colonial reprints, editions cost 6*s.* 3d, he calculated that the price in the United States was the equivalent of 11*s.*, 6d., and a German Tauchnitz edition was 6*s.*, 8d.[70]

The vast discrepancy in book pricing across borders arose primarily from the dearth of international copyright agreements in the nineteenth century — also a subject for the attention of free traders. British books printed in America, where publishers paid nothing for the rights, were necessarily much cheaper than British books printed in Britain or American books printed in America. Copyright arose as a right protected within national boundaries, without much thought to international application, but it was at this time that the limitations of effective protection only within a single nation became apparent.[71] By the 1830s, a Continental market for English-language books had arisen, and unauthorized copies of the works of British authors published abroad — as well as some printed with the consent of the authors — began to find their way back onto British soil, although the importation of unauthorized foreign reprints into the

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[68] FEATHER, *supra* note 40, at 146-47.

[69] Economist Arnold Plant claimed: "In the nineteenth century the extremely high prices which English publishers exacted for books, behind the copyright law, led to the emergence of the circulating libraries, which became in due course a powerful vested interest standing in the way of a lower-price policy." Arnold Plant, *The Economic Aspects of Copyright in Books*, 1 ECONOMICA 167, 186 (1934). Historians of the book, however, demonstrate that the circulating library had arisen during the Restoration and expanded substantially in the eighteenth century, although certainly once Mudie's and the other circulating libraries had established their business model they were opposed to changes in the law that might negatively affect it. FEATHER, *supra* note 40, at 153-54.

[70] RCC Minutes, *supra* note 15, at 204.

[71] CATHERINE SEVILLE, THE INTERNATIONALISATION OF COPYRIGHT LAW: BOOKS, BUCCANEERS AND THE BLACK FLAG IN THE NINETEENTH CENTURY 2 (2009).

UK was prohibited except for personal use.[72] The Board of Trade, and Gladstone in particular as its President during Peel's second ministry, struggled considerably with the problem of unauthorised foreign reprints entering the UK.[73] An 1838 International Copyright Act, as amended in 1844 by an Act introduced by Gladstone, empowered the monarch to direct that creators of works first published abroad would have copyright in Britain and that authors of dramatic pieces and musical compositions, first publicly represented and performed abroad, would have the sole liberty of representing or performing them in Britain; it also provided for the registry and delivery of copies of the books and works and protected them from piracy by importation.[74] By the early 1850s, Britain had bilateral copyright treaties with a dozen countries.[75]

Reprinting of British books also began to increase significantly in the United States of America, which did not allow foreign authors to obtain copyright protection within its borders until the end of the century.[76] As in Europe, some American publishers, such as Harper & Brothers, attempted to negotiate with and compensate the British authors and/or copyright owners, but such arrangements were courtesies of the trade and in no way required by the law.[77] Large populations of literate English readers dwelt in the United States of America so it constituted an enormous market for works of British literature.[78] International copyright was consequently a prize sought after by many British authors and publishers. With the support of a number of prominent British authors, attempts were made to petition the United States government to provide copyright protection to foreigners, but these failed.[79] In 1842, Charles Dickens famously travelled to the United States and lobbied heavily for recognition of foreign copyrights, but his efforts were unsuccessful and offended many

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72 JOHN FEATHER, PUBLISHING, PIRACY AND POLITICS: AN HISTORICAL STUDY OF COPYRIGHT IN BRITAIN 150, 152 (1994); SEVILLE, *supra* note 71, at 42.

73 SIMON NOWELL-SMITH, INTERNATIONAL COPYRIGHT LAW AND THE PUBLISHER IN THE REIGN OF QUEEN VICTORIA 24-33 (1968); SEVILLE, *supra* note 71, at 43.

74 International Copyright Act 1844, 7 & 8 Vict., c 12 (Eng.). *See* FEATHER, *supra* note 72, at 157, 160; SEVILLE, *supra* note 71, 45-51.

75 CHARLES PALMER PHILLIPS, THE LAW OF COPYRIGHT IN WORKS OF LITERATURE AND ART 261 (London, V. & R. Stevens & Haynes 1863).

76 International Copyright Act of 1891, c. 565, 26 Stat. 1106 (Chace Act).

77 FEATHER, *supra* note 72, 153; SEVILLE, *supra* note 71, 159.

78 WALTER COPINGER, THE LAW OF COPYRIGHT IN WORKS OF LITERATURE AND ART 494 (London, V. & R. Stevens & Haynes 1881).

79 SEVILLE, *supra* note 71, 160-74.

members of the publishing trade.[80] In 1853, a treaty was signed but not ratified by the U.S. Senate.[81]

Free trade doctrine informed discussions on international copyright and the book trade as it did to other trade-related imbalances.[82] Following the formation of a reciprocal copyright treaty with Prussia in 1846, the *Daily News* explained, "this is really only an offshoot from the great controversy between Free Trade and Protection. It must be decided by the same principles."[83] The paper went further, rejoicing in the future internationalisation of copyright that it expected to follow. "If the Free-trade policy be half as prosperous as we anticipate, the modicum of revenue derived from obstructing transit of works of literature and art may soon be dispensed with. Mental productions need then no longer be an exception to the general principles of our policy."[84]

Yet attempts to place international copyright within the doctrine of free trade could be attacked not only on grounds of principle by protectionists, but also of inapplicability. Addressing a meeting of parties interested in international copyright, the author and copyright activist Sir Edward Bulwer Lytton exhorted the audience "not to mix up with it either the consideration of free trade or protection," but to allow the needs of literature to remain aloof from party political issues.[85] "The politico-economic branch of the subject [of copyright] has little to do with theory of Free-trade or Protection. It is rather a question of expediency. The interests of literature and the public are, to a great extent identical" wrote the *Liverpool Mercury*.[86]

If a free trade supporter started from a position of believing that authors ought to have some property rights in their works, the further application of free trade doctrine would logically lead to the conclusion that such rights should be acknowledged and protected across borders. In a talk before the Association for the Promotion of Social Science, novelist and future Copyright Commission member Anthony Trollope recognised that some learned men rejected copyright altogether, but he argued that if

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[80] Feather, *supra* note 72, 158-59; SEVILLE, *supra* note 71, 30, 165-69.

[81] SEVILLE, *supra* note 71, 31; Lionel Bently & Brad Sherman, *Great Britain and the Signing of the Berne Convention in 1886*, 48 J. COPYRIGHT SOC'Y 311, 326 (2001).

[82] SEVILLE, *supra* note 71, at 10 ("[T]he relative merits of free trade and protectionism were repeatedly discussed, both as a matter of theoretical principle and in the more specific arena of the book trade."); DAUNTON, *supra* note 3, 206-07.

[83] DAILY NEWS (London), Sept. 4, 1846, at 2.

[84] *Id.*

[85] Edward Bulwer Lytton, *The Law of Copyright*, MORNING POST, July 2, 1851, at 6.

[86] *The Copyright Question*, LIVERPOOL MERCURY, Aug. 19, 1851, at 1.

one accepted copyright law, then one could not logically reject its internationalisation. Indeed, he argued that many American authors and publishers did not reject the prospect of international copyright. He described the situation thus:

> I have never met an American publisher who has not professed himself to be in favour of international copyright; but I have met American legislators of both houses who have shaken their heads when I have ventured to suggest that the mutual interests of the two countries demand reciprocal justice. It was their duty, they thought, to protect the American reader. If there be one great political lesson to be preached, the wide world over, it is that lesson which would teach us to abandon the task of protecting anyone, when protection means injustice.[87]

United States copyright law had always been intentionally protectionist in its design and aims, as was the U.S. economic policy more broadly in the later nineteenth century.[88] But even if expressed in terms of free trade doctrine, the United States had a defence to their protectionist position on copyright, itself grounded in political economy — they were a developing nation and simply could not yet afford to recognise foreign copyrights. A defence to temporary protectionist measures could be found in Mill's oft-cited exception to his own sense of free trade — that of "a young and rising nation, in hopes of naturalising a foreign industry, in itself perfectly suitable to the circumstances of the country."[89] For Mill saw the "superiority of one country over another in a branch of production often arises only from having begun it sooner. There may be no inherent advantage on one part or disadvantage on the other, but only a present superiority of acquired skill and experience."[90] This passage was "'more frequently quoted in the United States and the British colonies than any which has ever been written' — at least in books of political economy."[91]

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87 Anthony Trollope, *On the Best Means of Extending and Securing an International Law of Copyright*, *in* TRANSACTIONS OF THE NATIONAL ASSOCIATION FOR THE PROMOTION OF SOCIAL SCIENCE, MANCHESTER MEETING 119, 125 (National Association for the Promotion of Social Science (Great Britain) ed., 1867). In contrast to many of the other historical figures discussed in this article with more extreme views, Trollope was a middle-of-the-road conservative liberal. ANTHONY TROLLOPE, AN AUTOBIOGRAPHY 112-13, 182, 183 (Oxford World Classics 2008) (1905); David M. Craig, *Advanced Conservative Liberalism: Party and Principle in Trollope's Parliamentary Novels*, 38 VICTORIAN LITERATURE & CULTURE 355, 355-71 (2010).

88 NOWELL-SMITH, *supra* note 73, at 18; DAUNTON, *supra* note 3, at 301-02.

89 5 JOHN STUART MILL, THE PRINCIPLES OF POLITICAL ECONOMY ch. 10 (Boston, Little & Brown 1848).

90 *Id.*

91 AUGUSTUS MONGREDIEN & HENRY DE BELTGEN GIBBINS, HISTORY OF THE FREE-TRADE MOVEMENT IN ENGLAND 167 (London, Cassell & Co. 1897) (quoting Thorold Rogers).

While most believed that the size of the market in English books if copyright protection extended across the British Empire and the United States would result in lower book prices, not everyone agreed.[92] One concern was that if British copyrights were recognized, American booksellers would be forced to sell the expensive English triple-deckers.[93] While some American publishers were content with protectionist copyright policies, others saw it in the interest of business or justice to achieve a reciprocal copyright with Britain.[94] American publisher George Palmer Putnam and, later, his son and successor George Haven Putnam were vocal advocates for international copyright.[95] Moreover, some argued that the body of American literature itself suffered; the lack of protection for foreign works and the popularity of British works in particular, led to the publication of fewer American writers, whose works were more expensive due to the protections of copyright law.[96] American readers were being inundated with British books instead of American books with a possible detrimental effect on the development of a national character and literature.[97]

The problems of international copyright also included the question of when and how foreigners might obtain copyright protection in the UK themselves. In the 1777 case *Bach v Longman*, the composer Johann Christian Bach had brought an action against the publisher Longman claiming a royal privilege, common law right, and statutory rights under the Statute of Anne. As a foreigner first publishing in the UK, Bach obtained the statutory protection.[98] In the 1854 decision of *Jefferys v. Boosey*, however, the Lords determined that the English assignee of a work of a foreign composer first published outside of the UK could not receive protection under the Statute of Anne.[99] The seemingly arbitrary and protectionist effects of this decision caused popular outcry.

The colonies also posed a significant challenge to the application and effectiveness of UK copyright law — particularly in Canada, due to its

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92 JOHN R. MCCULLOCH, A DICTIONARY, PRACTICAL, THEORETICAL, AND HISTORICAL, OF COMMERCE AND COMMERCIAL NAVIGATION 172 (London, Longman, Brown, Green & Longmans, 2d ed. 1862).

93 NOWELL-SMITH, *supra* note 73, at 68-69.

94 *Id.* at 69.

95 THE QUESTION OF COPYRIGHT (George H. Putnam ed., New York, G.P. Putnam & Son 1891); SEVILLE, *supra* note 71, at 162.

96 BARNES, *supra* note 38, at 82-83 (1974); SEVILLE, *supra* note 71, at 150 (noting the potential "chilling effect" on American literature as well as the cultural effects of excessive exposure to British literature and culture).

97 BARNES, *supra* note 38, at 83; SEVILLE, *supra* note 71, at 10-11.

98 Bach v. Longman, [1777] 2 Eng. Rep. 623 (K.B.).

99 Jefferys v. Boosey, [1854] 10 Eng. Rep. 681 (H.L.). The Court also revisited the question of common law copyright, asserting the holding of *Donaldson* that there was no common law copyright in published works.

proximity to the United States of America.[100] Attempts to prevent reprinting British books or the import of American reprints were met with opposition from colonials who protested that they could not afford the high price of British books.[101] While lacking the independence of the United States, Canada had the same problems of high demand and an inability to afford British prices.[102] Unlike Britain, Canada had a widely-distributed population and lacked a well-stocked network of circulating libraries. In the wake of complaints from the colonies, and with the support of Gladstone, as Colonial Secretary, and the Board of Trade, the government passed legislation that would allow each colony to deal with its own situation.[103] The 1847 Foreign Reprints Act allowed "foreign reprints" to be imported into a colony where the colony passed local legislation providing for the protection of British authors.[104] Canada passed legislation to this effect, which allowed Canadian readers access to unauthorised American reprints of British books, which were naturally much cheaper than the imports from Britain. In essence, the Foreign Reprints Act of 1847 legalised what was already an existing practice of importing cheap American copies of British works into Canada. Very few duties were collected, and in terms of securing any remuneration for UK authors, it was a failure.[105] This unsatisfactory situation was one of the factors that led to the Board of Trade's search for an alternative to copyright and expensive English editions in the colonies.

II. REPORT AND DISSENT

Like the eighteenth-century copyright controversies,[106] the Copyright Commission report has been used in scholarship attempting to "de-natu-

100 SCRUTTON, *supra* note 16, at 266-67.

101 FEATHER, *supra* note 72, at 169-71; NOWELL-SMITH, *supra* note 73, at 85-105; SEVILLE, *supra* note 71, at 81.

102 BARNES, *supra* note 96, at 139.

103 SEVILLE, *supra* note 71, at 86.

104 The 1847 Foreign Reprints Act, 10 & 11 Vict., c. 95, s 1 (Eng.).

105 ISABELLA ALEXANDER, COPYRIGHT LAW AND THE PUBLIC INTEREST IN THE NINETEENTH CENTURY 144 (2010); FEATHER, *supra* note 72, at 170.

106 *See, e.g.*, FEATHER, *supra* note 72; MARK ROSE, AUTHORS AND OWNERS: THE INVENTION OF COPYRIGHT (1993); FEATHER, *supra* note 40; PATTERSON, COPYRIGHT IN HISTORICAL PERSPECTIVE(1968); BENJAMIN KAPLAN, AN UNHURRIED VIEW OF COPYRIGHT (1967), HARRY RANSOM, THE FIRST COPYRIGHT STATUTE (1956); RICHARD R. BOWKER COPYRIGHT: ITS HISTORY AND ITS LAW 8-34 (1912); AUGUSTINE BIRRELL, SEVEN LECTURES ON THE LAW AND HISTORY OF COPYRIGHT IN BOOKS (New York, G.P. Putnam's Sons 1899); *see also* Tomas Gomez-Arostegui, *The Untold Story of the First Copyright Suit Under the Statute of Anne in 1710*, 25 BERKELEY TECH. L.J. 1247 (2010) (Lewis & Clark Law School Legal Studies Research Paper No. 2010-110), *available at* http://ssrn.com/abstract=1572177).

ralise" the history of copyright law in works such as Lionel Bentley and Brad Sherman's *The Making of Modern Intellectual Property Law*,[107] and Ronan Deazley's *Rethinking Copyright*.[108] The former does not recognize the significant dissent on the Commission and treats the Report as the product of an essentially unified body, as did earlier works, for example Augustine Birrell's *Seven Lectures on the Law and History of Copyright*.[109] Recent works by Deazley and Paul K. Saint-Amour, however, use the Royal Commission on Copyright to demonstrate that the underlying justifications of copyright law were subject to significant controversy and that alternatives were seriously considered, drawing on its debates and dissent to contradict the view that strong copyright is an essential and inevitable facet of Anglo-American law.[110] Discussions of the Commission by Alexander, Deazley, Saint-Amour, and Seville have all identified the relevance of free trade doctrine to an understanding of the Commission's findings.[111] This intention of this article, however, is to focus on the influence and contradictions of free trade doctrine in greater depth than the previous works.

The Commission's majority Report, published in 1878, determined that copyright was indeed a property right, albeit a limited one.[112] Based on their understanding of the current law, and grounded in the legal history, they expressed:

> no doubt that the interest of authors and of the public alike requires that some specific protection should be afforded by legislation to owners of copyright; and we have arrived at the conclusion that copyright should continue to be treated by law as a proprietary right, and that it is not expedient to substitute a right to a royalty defined by statute, or any other right of a similar kind.[113]

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[107] BRAD SHERMAN & LIONEL BENTLY, THE MAKING OF MODERN INTELLECTUAL PROPERTY LAW: THE BRITISH EXPERIENCE, 1760–1911, at 6 (1999).

[108] RONAN DEAZLEY, RETHINKING COPYRIGHT: HISTORY, THEORY, LANGUAGE (2006).

[109] SHERMAN & BENTLEY, *supra* note 107, at 135; BIRRELL, *supra* note 106, at 206-08.

[110] Ronan Deazley, *Commentary on the Royal Commission's Report on Copyright* (1878), *in* PRIMARY SOURCES ON COPYRIGHT (1450–1900) 1, 2, (Lionel Bently & Martin Kretschmer eds., 2008); SAINT-AMOUR, *supra* note 12, at 54-5; *see also* Lauriat, *Revisiting the Royal Commission*, *supra* note 1.

[111] Deazley, *supra* note 110, at 2; Saint-Amour, *supra* note 12, at 53-89; NORMAN N. FELTES, LITERARY CAPITAL AND THE LATE VICTORIAN NOVEL 62-63 (1993); SEVILLE, *supra* note 71, at 271-72; ALEXANDER, *supra* note 105, at 121-25.

[112] RCC Report, *supra* note 15, at viii-ix.

[113] *Id.* at viii.

Accessibility to affordable English literature in the colonies was necessarily a matter of importance to the Commission.[114] The problem posed by the importation of cheap American copies of English works into Canada was a delicate one.[115] While avoiding interference with the Canadian Copyright Act of 1875,[116] the Commission made two recommendations: the introduction of a licensing system in the colonies and the continuation of the Foreign Reprints Act with some alterations.[117] It suggested several formalities to identify copies of foreign reprints and urged repeal of a provision that allowed for the introduction of colonial reprints back into the United Kingdom. It also opposed re-registration of colonial works in England and submission of such works to the British Museum as prerequisites for copyright in the United Kingdom. Thus, the Commission recommendations appeased the colonial interests to a degree but at the expense of maintaining a fragmented market in English language books within the Empire.[118] It was, perhaps, not theoretically consistent with the propertarian view of copyright, in that it severely limited the control of the copyright owner over his property in the colonies in a way that was deemed inappropriate domestically. However, it did not go as far as the colonies had hoped in providing access to inexpensive literature, and there was some dissent.[119]

The Report intentionally limited its analysis of the merits of copyright as a property right versus a royalty system to a brief discussion, providing an outline of the most important arguments for and against the royalty system.[120] This omission of a lengthy justification for copyright based in property theory is very likely because even the Commissioners who broadly accepted a proprietary copyright regime would not have come to an agreement on a cohesive theory of property and its application to copyright law.[121] Instead, the Report took a pragmatic approach, keeping the structure of copyright law intact, but recommending changes where the Commission had identified a need. In order to appreciate the level of controversy over the foundational principles of the law, one needs to look to

114 *Id.* at xxx.

115 *Id.* at xxxi.

116 Canada, An Act Respecting Copyrights, 1875, 38 & 39 Vict. c. 53 (Eng.).

117 *Id.* at xxxiii.

118 For further discussion of the role of the Royal Commission on Copyright in colonial copyright debates, see SEVILLE, *supra* note 71, at 110-11.

119 RCC Report, *supra* note 15, at viii-ix.

120 *Id.* at viii-ix.

121 Lauriat, *supra* note 1, at x.

the Minutes, Mallet's dissent, or later essays by Froude, T.H. Farrer, and Matthew Arnold.[122]

As noted above, Mallet dissented from the conclusions of the Commission as well as the implicit justifications for a proprietary copyright regime. In it, he provided his own analysis of "the abstract principles" which he believed formed the foundation for the copyright system.[123] Mallet believed that copyright had arisen as a practical measure in order to deal with a technological development — the market failure resulting from the invention of the printing press — and thought it absurd for authors to be benefiting from this technological innovation to which they had not contributed.[124] He thought the protection of an author's particular expression could be protected by contract law, if indeed it needed protecting at all.[125] For, in Mallet's view, it was the *ideas* contained in the work that were the most valuable part of the work anyway.

Mallet's central argument against any natural property rights in creative works is a familiar one: creative works can be copied and retain their value. They lack scarcity, and so are distinct from other forms of tangible property, therefore, the law should not treat them as analogous. He dismissed the position, which had been articulated a few times in the Commission meetings, that authors, in fact, have a complete property interest, which would require the law to acknowledge a perpetual right. Artificial limitation of supply was necessary for the very existence of copyright. Indefinite numbers of copies can be made, so scarcity and monopoly rights are created artificially by law in order to give the works value.[126] As we have seen, the use of the word "monopoly" by a hard-line free trader was itself damning.

Once he had dispatched the natural rights position, Mallet considered whether copyright might be reasonably justified on any other basis.[127] His assumption, which is common today, was that the only relevant consideration was whether legal interference was necessary to obtain the best and cheapest literature for the public good.[128] The evidence set before the Commission did not persuade him, and he thought that a government-administered royalty system would be more effective. Nevertheless, he conceded that moving from a copyright system to a royalty system would

122 RCC Report, *supra* note 15, at xlvi; T.H. Farrer, *The Principle of Copyright*, 24 FORTNIGHTLY REV. 836 (1878); Froude, *supra* note 34; Matthew Arnold, *Copyright*, 27 FORTNIGHTLY REV. 319 (1880).

123 RCC Report, *supra* note 15, at xlvi.

124 *Id.* at xlviii.

125 *Id.*

126 *Id.*

127 *Id.* at xlix.

128 *Id.*

be too sudden a change.[129] Based on the principles he had articulated, Mallet went on to examine critically the Report's recommendations in the areas of Home, Colonial, and International Copyright.[130] He was not a lone voice, but had support from members Drummond Wolff, John Rose and Edward Jenkins with regard to his position on the duration of the copyright term.[131]

Mallet had a utilitarian view of property as being a tool used by the law for the public good, but he differed from other political economists who had adopted a more Lockean labour theory by advocating a theory of value based on the demand of the consumer.[132] Their views on economics were closely aligned and permitted no deviation from free trade orthodoxy — but Farrer's convictions were perhaps somewhat more realistic and pragmatic. As he mused to Mallet:

> economists ordered the foundations of property deep in absolute Justice "Labour is the *just* foundation of value" and they did not see that an exception to their rule would be a very dangerous thing. The more humble doctrine that on the whole the community gets most out a thing by letting a single person have and use it — is more true and more safe.[133]

According to his theory, the interests of the community could only mean that books, and other cultural artifacts, should be as cheap as possible, and he was not readily willing to admit any other factors into the analysis. Mallet's concept of value was not adopted by Macfie, who called for some of the most radical reforms to copyright in favour of royalties. Macfie promoted his royalty system as a way to provide some compensation to authors for the labour they expended, even if that compensation took a form more directly connected to the value of the physical object than the extent of the labour.[134]

Mallet's economic theory had its limitations, and he recognized only two possible ways to regulate the equilibrium between demand and supply: "The first is by the institution of private property and free exchange applied to all values; the second by collective property and regulated exchange. The first rests on the principle of personal freedom; the second on that of constraint."[135] Mallet strongly rejected socialism.[136] He argued that the experiences of human nature and nation, "make it clear that the

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[129] *Id.* at l.
[130] *Id.* at liv.
[131] *Id.* at lvii, lviii.
[132] LOUIS MALLET, FREE EXCHANGE 280-81 (Bernard Mallet ed., London, Keegan, Paul, Trench, Trübner & Co., Ltd. 1891).
[133] Balliol College, Oxford, Mallet Family Papers, III, 38, Letter from Farrer to Mallet, 12 December 1879.
[134] RCC Appendix IX to the Minutes, at 356; MACFIE, *supra* note 18, at 35.
[135] MALLET, *supra* note 133, at 394, Appendix B.
[136] *Id.* at 351.

one thing needful in the interest of labour is the greatest possible increase of capital. If this is once admitted, all the socialistic schemes with which we are afflicted must suffer an ignominious collapse."[137]

Thus, Mallet had to fit copyright law into his black-and-white view of the necessity of government by pure capitalism or pure socialism — it was a poor fit in either model and therefore he viewed it as an artificial and suspect legal construction. When Scrutton identified the "'communistic' character of the Law of Copyright," in granting a limited privilege for the good of the community,[138] his view of the purpose and procedure by which an optimal copyright system should be framed was remarkably similarly to that of Mallet, even if their conclusions were different. Scrutton too found property, and copyright, to be a creation of the state, which it could limit as it saw fit.[139] But Mallet would have strongly objected to any depiction of his position as "communistic."

III. THE ROYALTY PROPOSAL

The case for mandatory royalties applicable in the colonies was made by representatives from the Board of Trade, namely civil servant Charles Trevelyan and Farrer, both of whom were solid free traders.[140] The system would allow authors to receive some remuneration for works reprinted by colonial publishers, but it would be regulated by Government and remove a great degree of the author's control over a work — it was a Government-controlled privilege clearly inconsistent with a propertarian view of copyright, in which the bulk of the rights rested with the author/owner. If one believed that the creation was the property of the creator and that copyright effectively limited and facilitated what would otherwise be a perpetual right in the public interest, the idea of removing the element of proprietary control was a step too far.

Farrer also advocated allowing the importation of these colonial reprints, which would compete with domestic publishing. When pressed, Farrer had suggested that ideally the royalty system would be extended beyond the colonies; he thought it would be preferable to the existing law of copyright in Britain in terms of cheapening books, but felt that it would be too radical a change to implement immediately.

Farrer, later Baron Farrer, was an uncompromising free trader and a long-serving civil servant. He had a short-lived career as a barrister, but had a profound influence on the reform and development of British com-

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137 *Id.* at 355-56.

138 SCRUTTON, *supra* note 16, at 290.

139 *Id.* 291.

140 Farrer served as permanent secretary to the Board of Trade from 1865 to 1886. Trevelyan was married to Macaulay's sister.

mercial law during more than thirty years at the Board of Trade.[141] He had long been the Board of Trade's copyright expert and was appointed to the first Commission, withdrawing from participation in the second due to pressures of work. Nevertheless, he was to make a substantial contribution to the Commission, appearing eight times as a witness. Mallet's dissenting report had drawn on a paper by Farrer that had been submitted to the Commission.[142] The paper, which addressed directly some of the arguments for strong copyright presented before the Commission, was eventually published in the *Fortnightly* after the Report was published.[143] The extent to which Mallet and Farrer were allied cannot be overemphasised. The two men were close friends and very frequent correspondents.[144] They had worked together in the Board of Trade for several years, when Mallet was serving as Private Secretary to the President.

Farrer clearly disapproved of giving authors and publishers a "monopoly right," but he felt authors ought to receive some remuneration, and he limited his advocacy of the royalty proposal to the colonies.[145] When questioned by Fitzjames Stephen on this point, he regarded "some description of monopoly" as being the only way by which an English author could be remunerated without the kind of radical reforms to the domestic legal framework that he deemed impracticable, at least for the moment.[146] His aims were simply to cheapen all books and expand authors' markets. Farrer did not share some of the commission members' and witnesses' concerns about the nature and quality of the books in question, saying "we must trust to the public demand purifying itself."[147]

Mallet led his friend through his testimony on the 13th of March, developing his own arguments on the economic rationale for limited privileges through the medium of Farrer's obedient agreement and exegesis. They agreed that the expediency of all law should be assessed with reference to "the general interests of the community, rather than with reference to supposed abstract rights of property on the part of the authors."[148] They believed copyright was different from corporeal property by virtue of being a "right to prevent other people from reproducing" in order to

141 John Davis, *Farrer, Thomas Henry, First Baron Farrer (1819–1899)*, *in* OXFORD DICTIONARY OF NATIONAL BIOGRAPHY (2004), *available at* http://ezproxy.ouls.ox.ac.uk:2117/view/article/9194.

142 RCC Report, *supra* note 15, at xlviii, xlix, li.

143 Farrer, *supra* note 122, at 836.

144 Letters between Louis Mallet and Mr. T.H. Farrer, "Currency" (Dec. 12, 1879) (Oxford Balliol College Archives & Manuscripts, Mallet Family Papers III. Papers of Sir Louis Mallet (1823–1890), III.38).

145 RCC Minutes, *supra* note 15, at 261, 263.

146 *Id.* at 261.

147 *Id.* at 262-63.

148 *Id.* at 267.

encourage and reward literature for the benefit of the public.[149] Farrer also agreed with Mallet that author's limited monopoly led to a similar commercial monopoly on the part of the publisher; the result of which Mallet identified as "a distinct violation of those principles of free trade which have been adopted formally by the Legislature."[150] The royalty proposal was "the only plan" by means of which a benefit for authors would be retained but the monopoly "restricted, so as to do justice to the public" Farrer said.[151]

"The general principle of your evidence seems to go on this, that copyright is a monopoly," Froude asked. "It is desirable, you say, to have cheap books. But it is desirable to have cheap bread, and cheap meat, and cheap clothes, and many other things, but the Board of Trade would not be prepared to legislate to make things of that kind cheap?"[152]

Farrer, of course, denied any desire on the part of the civil service to regulate the price of any of those items. Copyright could be distinguished from these other products as a form of property created by the Legislature, he explained.

"But all property is created by law, is it not?" queried Froude.[153]

Farrer agreed, but, in his view, once an author released a work into the public, then it was "given to the world" and might be reproduced by anyone, except as the law chooses to limit the freedom of people to do so.[154] When pressed by Froude, he distinguished it from other forms of property — "absolute property" — with an argument of some circularity: unlike other kinds of property, copyright has been limited by the Legislature and therefore, it may be limited by the Legislature.[155]

At one hearing, the noted lexicographer and Commission member Dr. William Smith also attacked Farrer's persistent description of copyright as monopoly, noting that the word's use in English law was restricted to situations "where there was a royal grant authorising some one or more persons only to deal in or sell a certain commodity or article."[156] Farrer explained that historically both patents and copyrights were, in fact, monopolies in the strict legal sense of Smith's definition; in terms of their own time, he cited Macaulay's own use of the word in the context of copyright, suggesting it was commonly used to mean "an exclusive power of sale."[157]

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149 *Id.*
150 *Id.* at 268.
151 *Id.* at 268-69.
152 *Id.* at 272.
153 *Id.* at 273.
154 *Id.*
155 *Id.*
156 *Id.* at 274.
157 *Id.*

Smith persisted in attacking the monopoly descriptor. If, when determining whether a monopoly existed, one defined the relevant market as the market in a single, specific book, then one could assert that copyright created monopolies. If, however, one considered the relevant market as the market in all competing books of a given description on a given subject, then one could not say a monopoly existed. Smith probed the issue with rapid-fire questions:

> But is not an author exposed to unrestricted competition? Directly he publishes a work on a particular subject, may not another immediately publish another book on the same subject? Is it not the fact that directly one publisher brings out a book which proves successful, another publisher endeavours to bring out another and better book on the same subject and at a lower price? Do not therefore author and publisher work under the stimulus of open and free competition? Would it not therefore be more correct to say that there is free trade in the production and sale of books rather than monopoly?[158]

Farrer's simple response was that "in one sense there is free trade; another book may be written on the same subject, but the same book may not be reproduced."[159]

The next thread of Smith's questioning related to the nature of the property. He cited Lord Mansfield's definition of "an incorporeal right to the sole printing and publishing of something intellectual communicated by letters."[160] Farrer agreed that literary compositions in their original state, before they had left the mind or desk of an author, were protected, but he distinguished this kind of property from the possibility of post-publication right, the source of all the controversy. Smith posed the argument that unless one allowed for the publication of a literary composition, the property was useless, and "property without the power of use or disposal is not property."[161] Farrer disagreed, saying that one could certainly possess property that is not a source of profit, and whether a further privilege was attached to the property as a means of making it profitable was itself a fair question for debate.[162] Smith, like Froude in a previous meeting, was unable to escape analogising with physical property, comparing protection from theft of physical property to protection from copying of incorporeal property. In response, Farrer correctly distinguished between property in the physical object versus the intellectual property in the work — a distinction which he did not always make consistently.

> The book or the machine which you make are reserved by law to the exclusive use of you and yours precisely in the same way and to the same

158 *Id.*
159 *Id.*
160 *Id.*
161 *Id.* at 274-75.
162 *Id.* at 275.

> extent as the house, or the piece of cotton goods, or the pair of scissors. If anyone takes them from you, you can recover them at law and shut up the thief in gaol. But what you claim under the name of copyright and patent right is a very different thing. It is a right to prevent other people from imitating your book, or your machine. This is a right which does not exist in the case of the house or the piece of cotton goods, or the pair of scissors. It is a right of a totally different and exceptional character and rests on its own special grounds of utility.[163]

Dr. Smith quickly changed tactics, but he continued to build on this idea of the essential difference between books and other commodities.

Shortly following Farrer's explanation of the nature of copyright as distinct from the property right in the physical object, Smith began to use the distinction to question the accuracy of Farrer's empirical predictions as to the effects of a royalty system on the book market. While, as a general economic principle, reduction of price in an article would lead to greater consumption, in the case of books that required significant mental effort for their production, Farrer had to admit that the market for "the very highest class of mental productions . . . is, and always must be, a comparatively limited one," though he thought the normal rules of supply and demand would still apply to a great many books.[164] Smith attacked Farrer and Mallet's belief that seeking small profits and quick returns was a desirable goal in the case of the book trade; the royalty proposal would encourage such small profits and quick returns. Publishers, suggested Smith, "would refuse to publish all books not likely to pay by a large and immediate circulation."[165] Farrer protested that neither he nor Mallet "intended to apply the principle of small profits and quick returns to a case where there was no demand, or a very limited demand," but he did not satisfactorily explain how the incentive structure of the royalty system could function differently with regard to that specific situation. Smith went on to emphasize the effects of uncertainty in the market as the primary contributing factor to the high price of books.[166]

Robert Andrew Macfie, a free-trade hardliner and strident intellectual property critic,[167] was also called as a witness before the Commission. Macfie was the sugar-refiner son of a sugar-refiner who became a very active Member of Parliament between 1868 and 1874.[168] He was sceptical

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163 *Id.*

164 *Id.* at 275.

165 *Id.* at 276.

166 *Id.* at 279. Anthony Trollope added that he had heard from two publishers that only one book out of nine was profitable, but they carried out the trade nonetheless.

167 Oppenheim, *supra* note 18, at 386-87, 391-96.

168 Christine MacLeod, *Macfie, Robert Andrew (1811–1893)*, *in* OXFORD DICTIONARY OF NATIONAL BIOGRAPHY (2004), *available at* http://www.oxforddnb.com/view/article/17499.

of patents and copyright and had served a member of the House of Commons Select Committee appointed to inquire into the workings of the patent system in 1871.[169] The extremity of his views varied — sometimes he argued that copyright was defensible, though patent was not,[170] or that the laws should be reformed rather than abolished outright — but his opinions on the subject were always rooted in a concerned distaste for intellectual property.[171]

Macfie's own royalty proposal was of broader applicability than that of Farrer and the Board of Trade; he submitted a briefing to the Commission, enclosed within a book on the law of copyright, which became Appendix A in its published minutes. He recommended that an automatic five percent royalty on the retail price of books sold to go to the author, as a compromise between the current system of copyright and outright abolition.[172] Questioned by Lord Manners, he explained:

> It is possible that one might convince one's self by argument, that on the whole the interests of the public would be promoted by abolishing copyright; that, I believe, was Mr. Cobden's opinion; he told me that he was against copyright; but I cannot say that is the opinion which I at this moment entertain. I believe, however, that the abolition of the monopoly principle in copyright and the substitution of a royalty, that is to say, liberty to republish, accompanied with a remuneration to the authors, in proportion to the number of copies printed for sale, — would be advantageous.[173]

Macfie believed that his proposed royalty system would encourage competition between publishers, which would increase the sale of the books. If free trade in books could be achieved, and "the sale of books increased fifty-fold," he also foresaw tremendous social benefits, "education would practically be very greatly developed; philanthropists, teetotallers, and

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169 REPORT FROM THE SELECT COMMITTEE ON LETTERS PATENT; TOGETHER WITH THE PROCEEDINGS OF THE COMMITTEE, MINUTES OF EVIDENCE, APPENDIX AND INDEX (363) X.603 (1871). Previously, he had sought patent abolition, to be replaced with a system of compulsory licensing attached to a variety of rewards for inventors. *See* MOUREEN COULTER, PROPERTY IN IDEAS: THE PATENT QUESTION IN MID-VICTORIAN BRITAIN (1991).

170 Macfie found patents to be a "more doubtful monopoly" than copyright because of its direct connection with trade and industry and because the subjects of patents are often produced by multiple inventors. MACFIE, *supra* note 18, at vi.

171 Oppenheim, *supra* note 18, at 387; ROBERT A. MACFIE, ADDRESS AT THE OPENING OF THE DIALECTIC SOCIETY, SESSION 1869–70, at 15 (Edinburgh, Edmonston & Douglas1869).

172 RCC Minutes, *supra* note 15, at 135-37.

173 *Id.* at 135.

others would be delighted by having a wholesome employment and entertainment for the people in their evenings."[174]

Commission members pointed out that there was not a monopoly in books to the extent that authors were free to write and publishers were free to publish books on any subject they wished. But Macfie suggested that the current book trade, where one publisher entered into an agreement with an author to publish one book to the exclusion of other publishers, was analogous to potters saying to each other "'I will go in for cups and saucers, you will go in for dinner plates, and a third will go in for bedroom pottery' and not allowing the potters to manufacture the specialty of another."[175] Fundamentally, the dispute over copyright as a monopoly centred on what constituted the relevant market over which the rights-holder had exclusive control and what was the relevant subject of sale. Some viewed the relevant market as the market for books of a certain description or on a particular subject. For Macfie, the relevant market was the market for an individual book and the relevant question was whether there were restraints on the trade in books as commodities themselves — not as abstract works.

Macfie did not believe that authors had any positive right to remuneration for their labour at all, let alone a natural property right arising from that labour. Even with regard to his royalty proposal, he presented the compensation it provided to authors as being desirable simply "as a matter of expediency and fair play."[176] When questioned about the justification for copyright law by Trollope indirectly, and by Jenkins directly, Macfie asserted that its only purpose was to incentivise publishers to publish, as "the law contemplates that men write for the good of their species, and for the gratification of their desires."[177] The current system went against the purpose, as he saw it, because by making copyright property it prevented competition. By preventing competition, it prevented the public from access to books while they were still "fresh."[178]

IV. FREE TRADE IN SUPPORT OF COPYRIGHT

For several months of meetings, it seemed as though the only serious criticisms of the royalty proposal from other witnesses were that it would

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174 *Id.* at 138.

175 *Id.* at 138-39.

176 *Id.* at 138. Macfie is not always entirely consistent on this point. *See* ROBERT A. MACFIE, *A Dialogue Between a Professor and a Cottager on Cheapening Books*, *in* MOTTOES AND MOTIVES: THEMES AND APOPHTHEGMS AND OTHER PRACTICAL MATTER INCLUDING A DIOLOGUE ON THE PRICE OF BOOKS IN HOMELY LINES 30 (London, Elliot Stock 1884).

177 RCC Minutes, *supra* note 15, at 140.

178 *Id.* at 141.

do harm to authors and shake up the market — arguments that were vague and difficult to prove. Some objections seemed to rely on a belief in the natural rights of authors to the fruits of their labours, but these arguments were not presented in a well-developed or sophisticated manner. It was not until the testimony of philosopher and social critic Herbert Spencer that the royalty proposal was attacked using the very arsenal of its proponents: principles of political economy and free trade doctrine. Herbert Spencer, like Macfie and Farrer, was a free trade advocate and member of the Cobden Club, but, unlike them, he believed that copyright was a form of property and should receive legal treatment befitting its status as such.

> That a man's right to the produce of his brain is equally valid with his right to the produce of his hands, is a fact which has yet obtained but a very imperfect recognition. It is true that we have patent laws, a law of copyright, and acts for the registration of designs; but these, or at any rate two of them, have been enacted not so much in obedience to the dictates of justice, as in deference to the suggestions of trade policy.[179]

In his first published work, *Social Statics*, Spencer addressed the question of "The Right of Property in Ideas," which along with his other subjects of inquiry, he continued to develop until the final edition of *Social Statics, abridged and revised,* in 1892.[180] Spencer equated the labour of the mind with other forms of labour, and intellectual property with personal property.[181] He explained that uncertainty of legal recognition of rights took away the incentive to creation and encouraged secrecy in creators. Lack of certainty with regard to the fate of a creative work released into the world could discourage dissemination. "In this, as in other cases," he argued, "disobedience to the moral law is ultimately detrimental to all."[182] He acknowledged that there was a necessary qualification in the rights, due to the possibility that minds may have the same ideas almost simultaneously, and this qualification had been expressed with limited terms, although he was unable to say how the correct term would be determined.[183]

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179 HERBERT SPENCER, SOCIAL STATICS OR, THE CONDITIONS ESSENTIAL TO HUMAN HAPPINESS 137 (London, John Chapman1851) [hereinafter SPENCER (1851)]. To demonstrate that Spencer did not amend his views on this topic later in life, as he did with other issues, I will also include the citations to a posthumously published edition. HERBERT SPENCER, SOCIAL STATICS 39 (Watts & Co. 1910) (1851) [hereinafter SPENCER (1910)].

180 HERBERT SPENCER, SOCIAL STATICS, ABRIDGED AND REVISED (London, D. Appleton & Co. 1892).

181 SPENCER (1851), *supra* note 179, at 137; SPENCER (1910), *supra* note 179, at 40.

182 SPENCER (1851), *supra* note 179, at 140, SPENCER (1910), *supra* note 179, at 41.

183 SPENCER (1851), *supra* note 179, at 142, SPENCER (1910), *supra* note 179, at 41.

Moreover, Spencer's writing suggested sympathy for moral rights in creative works as well as economic rights — his own personal experience led him to the understanding that an author might wish to maintain a degree of control over his work after publication. As Spencer developed and redacted ideas during his lifetime, he attempted to prevent earlier editions with less-mature expositions of these ideas from being circulated. Before his death in 1903, Spencer wrote about his great fear that someone might publish, seven years after his death, versions of his works in which copyright had expired, in which he had expressed views that he had relinquished or amended in later works.[184] In order to demonstrate that this was not being done to him, an inexpensive 1910 copyright edition of Spencer's work includes a prefatory note explaining that the Herbert Spencer Trustees arranged for this edition to reflect only the author's final opinions.[185]

Spencer appeared as a witness before the Royal Commission on Copyright twice: on 6 and 20 March 1877.[186] At the first meeting, his contribution largely consisted of an explanation of his prior experience with publication and an expression of his view that a royalty system would prejudice "books of the graver class" — heavy academic tomes requiring much labour but being unlikely to produce much in the way of royalties.[187] His testimony on this occasion was largely grounded in personal experience; he was sure that work with great academic value but a small market would be extremely unattractive to publishers under a system of royalties, where they would have little control over setting the price for such books.

Spencer balked at Farrer's goal to secure for books "the cheapest possible price consistent with a fair profit to those concerned" as reminiscent of the old-style arguments in favour of protectionism.[188] He rejected the monopoly descriptor and directly attacked the royalty proposals as being contrary to the doctrine of fair trade.

> I find it stated in the evidence lately given that there has not been raised 'an insuperable objection in point of principle' to the plan of a royalty. If no such objection in point of principle has been raised, I think one may be raised: the objection, namely, that it is distinctly opposed to the principles of free trade.[189]

He went on to describe the practical problems embedded in the terms of the royalty proposal. It would require the government to determine the

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184 SPENCER (1910), *supra* note 179.
185 *Id.*
186 RCC Minutes, *supra* note 15, at 258, 281.
187 *Id.* at 259.
188 *Id.* at 282.
189 *Id.* (the quotation is from Farrer's evidence on 13 March 1877).

prices of books. In odd contrast to the free trade expectation that the government would avoid interference with the marketplace, the government would instead be closely managing the trade.

Sir Henry Holland interjected, "you will hardly contend that the system of royalty is less in accord with free trade than the existing system of monopoly; you will not carry it so far as that, will you?"[190]

Spencer still refused to acknowledge that the term "monopoly" was applicable. "There are people who call the capitalist a monopolist. . . . I do not think he is rightly so called." He too construed the relevant market in literary works in broader terms than an individual book — he saw free competition between different books on the same subject. "I regard both the term 'free trade' as applied to the unrestrained issue of rival editions, and the term 'monopoly' as applied to the author's copyright, as question-begging terms," he explained.[191] The royalty proposal, requiring extensive government regulation of compensation and pricing as it did, was at odds with principles of political economy as he understood them. Either the royalty system would change or would not change the financial returns of the producers of books; Spencer expected it would change the returns at the expense of the publisher. In his view, there was no evidence that publishing differed from any other business in its return on capital, and artificially lowering publishers' returns through government regulation would simply "drive away a certain amount of capital out of the publishing business into more remunerative businesses."[192] Competition would then decrease, profits in those businesses remaining would rise, and eventually the price of books would return to where it had been. He pointed out that there was already a "natural cheapening of books" in the publishing industry: where there was demand, publishers issued cheap editions themselves that, in a sense, competed with their more expensive editions. In response, Holland argued that there was a long delay in the production of cheaper editions by an original publisher; poorer persons still would not be unlikely to purchase an edition nor access a book through a circulating library, whereas under the royalty system a cheap edition might be released immediately.[193] Spencer was appalled by this line of reasoning:

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190 *Id.*

191 *Id.* Later, in a letter to Froude, Spencer explained with greater clarity why he did not believe copyright to be a monopoly. Defining monopoly as "an arrangement under which a person or body of persons is given by law the exclusive use of certain natural products, or agencies, or facilities, which, in the absence of such law, would be open to all," he denied that an author was in a position to prevent a reprinter from using "any of those appliances or processes, intellectual or mechanical, by which books are produced" in order to carry on a competing business. Froude, *supra* note 34, at 171.

192 RCC Minutes, *supra* note 15, at 283.

193 *Id.* at 284.

> Then I take it that the proposal really amounts to this, that whereas, at present, the poorer class of readers are inconvenienced by having to wait for a cheap edition a certain number of years, they shall, by this arrangement, be advantaged by having a cheap edition forthwith; which is to say that people with smaller amounts of money shall have no disadvantage from their smaller amounts of money. It is communistic practically: it is simply equalising the advantages of wealth and poverty.[194]

The royalty system, in Spencer's opinion, would not even achieve its aim of cheapening books in the short term; the rapid competition would result in an excess of supply, which would lead to waste copies and no reduction in prices. The only way to cheapen books, he argued, was the extension of the market that would result from recognition of copyright internationally. As to how to effect such international copyright recognition, even Spencer could not begin to say.[195]

Farrer responded to Spencer's factual assertions in some detail — he must have either attended the session of 6 March or read a transcript. He contested Spencer's assertion that he would be harmed by the royalty system due to the costs of production and limited market. In Spencer's unusual position, he explained, a second publisher would not be able to afford to step in and compete with the first, expensive and limited edition of the book, and so the royalty system would not lead the initial publishers to bear a loss.[196]

Later, in a footnote to an article on copyright in the *Fortnightly*, Farrer observed:

> It is a remarkable illustration of the effect of a theory on a powerful intellect that Mr. Herbert Spencer regards any attempt to qualify the absolute monopoly of the copyright owner as an interference, not only with the rights of property, but with the doctrines of Free Trade. So completely has the right of the author filled his mind, that he seems to have forgotten that in order to have the full benefit of freedom of trade there must be freedom in production as well as in consumption, of supply as well as of demand.[197]

This passage further emphasizes Farrer's idea of freedom of production as a question of the books themselves — though he had previously pointed out the distinction, here he appears to conflate the copyright work with the physical commodity when he speaks in terms of "production." Freedom of production to Farrer meant freedom to publish any existing book that one chose to publish, not the freedom to write a new book on any subject that one might choose to write. Spencer, Froude, Trollope, and

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194 *Id.*

195 *Id.* at 286-88.

196 *Id.* at 269.

197 Farrer, *supra* note 122, at 838.

Smith would have viewed freedom of production as the latter when applied to literature.

Thus, we see that one of the difficulties in applying free trade principles to copyright was the question of the relationship of literary works to trade and commerce. Some, like Farrer, identified books as commercial objects to be traded like any others, while others, like Spencer, were more concerned with the copyright work as an intangible. Property theory was relevant as well, but not determinative. Farrer and Mallet's market-driven theory of value may have led them to dismiss arguments in favour of copyright based on a labour theory of value, however, Macfie attacked copyright using tools of labour theory and Fitzjames Stephen. Though Sherman and Bently have identified the nineteenth century as a period when "the model of copyright law . . . came to embody the belief that copyright was beyond the remit of trade and commerce," we see from the Commission that this belief was certainly challenged.[198]

Further opposition to the royalty proposal from a natural rights perspective came from biologist Thomas Henry Huxley. Like Spencer, he took the position that copyright was not merely a legislative creation but a natural property right. He found it singular that "the straitest school of free traders" would produce an argument that maintained books were:

> a kind of property to be disposed of mainly for the benefit of the persons who read them, and that the State should take upon itself somewhat the same function as it used formerly to do when it passed sumptuary laws, and should regulate the amount of profit to be derived by the author according to what it considers fair and reasonable.[199]

Huxley's argument suggested that if one accepted the argument that public interest was the paramount consideration in the disposal of valuable literary works then it did not follow that unpublished works should remain the sole property of their authors.

> If for example I had had the good fortune to write such a work as "Hamlet" . . . it would appear, according to that line of argument, that the State would be justified in seizing all the copies of it, and in disposing of them in such a manner as might be conducive to their distribution, and that mainly on the ground of the great service to the public which those books might render.[200]

Rather, Huxley thought that an author had an absolute right to property in his creation, and like Reade above, he distinguished the property right from the means of protecting that right. Huxley argued that State ought to confer copyright as a practical method of protecting that property once the author has released it into the world — in sharp contrast to the position

198 SHERMAN & BENTLEY, *supra* note 107, at 124.
199 RCC Minutes, *supra* note 15, at 304.
200 *Id.*

that the State confers copyright where no rights existed in order to encourage the creation and dissemination of works for the benefit of the public. In his view, the function of copyright legislation was to overcome the inconvenience that would result from allowing each creator to negotiate the protection of such property separately. This sort of property was still "subject to the ordinary rules of free trade, namely that a man shall make any contract which he pleases with regard to the disposal of his property."[201]

Edward Jenkins was a radical liberal MP and novelist whose views on copyright were not clearly aligned with any of the camps on the Commission. He sought to determine the extent of the property right envisioned by Huxley — could he distinguish between a book conveying ideas and a machine embodying an invention in its form? Huxley fell back on the idea/expression dichotomy to settle some of the inherent difficulties in distinguishing between the two kinds of protection. "My contention for the protection of property in books is entirely with regard to the particular form in which the author chooses to put his ideas."[202] By restricting protection to the specific expression of the ideas — the form in which they are embodied, as he put it — rather than the ideas themselves, the ideas still remained free for widespread use. Huxley argued that, "as a matter of strict right" copyright protection ought to be perpetual, but "as a matter of expediency" he did not think it would be worth asking for.[203]

The evidence given by Spencer and Huxley was a great blow to the royalty schemes proposed by Farrer and Macfie. Spencer's description of the practical problems inherent in the proposal, and his criticism of the government interference with pricing that the royalty scheme necessitated, utilized the very arsenal of free trade economics that Farrer and Macfie had employed in support of royalties. Huxley's unrealized ideal of copyright legislation to bring about the protection of an absolute, albeit incorporeal, property of an author positively contradicted Farrer's depiction of copyright a necessary mechanism enacted by legislation in order to benefit the public interest. Clearly some of the Commission members — namely, Froude and Smith — were sympathetic to the former position, while Mallet, Holland, and, to some degree, Jenkins were inclined towards the latter.

The Commissioners could not simply be divided into two camps: authors' rights natural rights theorists versus utilitarian free traders.[204] Jenkins was not alone in rejecting the royalty proposal and view copyright as a proprietary right but not as a natural right. The Association for the Protection of the Rights of Authors, the membership of which included Trol-

201 *Id.*
202 *Id.* at 305.
203 *Id.* at 306.
204 *See* Lauriat, *Revisiting the Royal Commission*, *supra* note 1, at 16.

lope, Jenkins, and Froude, had explicitly not made the claim that copyright was a natural right in 1876, but had nevertheless clearly positioned itself in favour of reform and strong copyright protection.[205]

Fitzjames Stephen too viewed copyright as the creation of statute.[206] He saw no reason why once the State had acknowledged a property right, it might not include limitations on that right. Ultimately, the robust conservative Fitzjames Stephen, while being politically far from Farrer, had an understanding of the nature of copyright as property, which, in some ways, was closer to that of his old enemy than his supposed allies on the Commission.

Fitzjames Stephen was the author of "finest exposition of conservative thought in the latter half of the nineteenth century," *Liberty, Equality, Fraternity*, his forceful response to Mill's *On Liberty* also grounded in utilitarian principles.[207] Although he had stood for Parliament as a Liberal, Fitzjames Stephen had begun to realize that his fundamental conservativism, exhibited by his growing scepticism of the liberty — a fundamental principle of liberal ideology — placed him far away from many members of his party.[208] It is a mistake to view liberty as an absolute good, he argued in *Liberty, Equality, Fraternity*.[209] In his view, Mill's assessment of human nature left peacefully to its own devices was far too rosy. Liberty in the abstract is not so precious, he argued. On the contrary, compulsion, whether through law or through public opinion, is both necessary and desirable in order to prevent the excesses to which people are prone if left unrestrained.[210] Some degree of coercion, Stephen thought, was necessary to maintain moral standards in the individual and the society as a whole. He distrusted democracy. He thought that the power of education was vastly over-exaggerated by Mill — there were some elements of the public on whom education would have little effect.[211]

Stephen also voiced concerns about the effects of wider distribution of the sort of literature that appealed to the masses. In his view, public morality would not be served by wider dissemination of novels which, like those of Reade, Dickens or Jenkins, used popular sentiment to attack the fundamental institutions of British society, which themselves performed essential functions in governing that society. The popular novelists of the

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205 Moy Thomas, *The Fortnightly Review and the Copyright Commission*, THE ATHENAEUM 89, Jan. 15, 1876, at 90.

206 RCC Minutes, *supra* note 15, at 264.

207 ERNEST BARKER, POLITICAL THOUGHT IN ENGLAND FROM HERBERT SPENCER TO THE PRESENT DAY 172 (1915).

208 RUSSELL KIRK, THE CONSERVATIVE MIND FROM BURKE TO ELIOT 304 (1997).

209 JAMES F. STEPHEN, LIBERTY, EQUALITY, FRATERNITY (Reginald J. White ed., Cambridge Univ. Press 1967) (1874).

210 *Id.* at 59.

211 *Id.* at 141-42.

day could and might well be read by every literate reader of fiction. Studies of the reading public in the Victorian era suggest there was not a great stratification amongst the novel-reading public, "for though . . . Dickens, Reade, and Wilkie Collins were the idols of the man in the street and George Eliot and Trollope of the educated, yet each class read or perfectly well might have read the entire output of all the contemporary novelists."[212] In Stephen's opinion, by exaggerating the facts in the interest of their political agendas, sentimental novelists failed in their duty to provide proper moral instruction to their readers. He was not alone in expressing this sort of concern over the effects of popular literature in the nineteenth century.[213]

Due to his concern over their influence and his scepticism with regard to their merit, Stephen did not consider the high cost of books, particularly novels, to be a serious social problem. Indeed, it is not clear that he viewed the cost of books as excessively high or even beyond the reach of the average Englishman. In an 1857 article, he came close to suggesting that too many books — usually the kind of works which people should be discouraged from reading — had become too inexpensive. In his article *Railroad Bookselling*, Fitzjames Stephen wrote, "twenty years ago, a novel of any kind was an expensive luxury — at the present day, it costs only twice as much as a pot of beer."[214] In his view, cheapening books, particularly popular books, would not benefit the public.

The object of legislation, Fitzjames Stephen believed, is "to make people better than they would be without compulsion."[215] To cheapen and popularize literature would result in greater availability of lower quality books and the suppression of valuable, labour-intensive books intended for a limited audience; Spencer had made this argument in terms of the probable effects of the royalty scheme.[216] Thus, the goal of cheapening books should not be the deciding factor in forming copyright policy. There is some evidence to suggest that Stephen and Spencer might have had a point. As books became cheaper, and as the circulating library fell out of fashion, it became more difficult for serious literature to find a publisher.[217]

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212 QUEENIE DOROTHY LEAVIS, FICTION AND THE READING PUBLIC 33-34 (1932).

213 *See generally*, PATRICK BRANTLINGER, THE READING LESSON: THE THREAT OF MASS LITERACY IN NINETEENTH-CENTURY BRITISH FICTION (1998).

214 James F. Stephen, *Railroad Bookselling*, 3 SATURDAY REV. 100 (Jan. 31, 1857).

215 STEPHEN, *supra* note 209, at 145.

216 RCC Minutes, *supra* note 15, at 259.

217 LEAVIS, *supra* note 212, at 160-62. "The sudden opening of the fiction market to the general public was a blow to serious reading." *Id.* at 161.

Stephen and Farrer were old enemies, and he pressed the civil servant to admit that the royalty proposal was not currently a feasible proposition in Britain.[218] Yet, despite his personal animosity towards Farrer and his doubts regarding the royalty scheme proposed by the Board of Trade, some of the arguments regarding the scope of copyright resonated with Stephen. While he was unconvinced by the unsophisticated extremist free-market doctrine of the Cobdenites and others, his essentially utilitarian view of the nature of property and copyright was closer to that of Farrer and Mallet. He saw the ability to acquire property as a fundamental, necessary, and "universally recognised" item of liberty, which was essentially incompatible with doctrines of equality.[219] Property was a necessary encouragement for men to pursue valuable labour, not the result of men's natural rights to reap the fruits of their labours in the Lockean model.

In keeping with his positivist, utilitarian approach to property rights, Stephen believed that copyright had to "be regulated only by general expediency" and did not think that the law could "lay down abstract rules about a man's abstract right in the productions of his own mind."[220] Similar to Mallet and Farrer, he supported a subjective theory of value. Nevertheless, despite his rejection of copyright as the recognition of an authorial, natural right, and his agreement with Mallet and Farrer on value theory, he came to a distinctly different conclusion as to the economic necessity for copyright.

In terms of the aims of his writing, Edward Jenkins was a novelist of the same sentimental, socially progressive stripe as Reade or Dickens. His anonymously-published novel *Ginx's Baby* (1870) had satirized official neglect of poor children and helped to raise interest in the 1870 Education Act. The bestselling *Ginx's Baby* exemplified the kind of literature that Stephen "cordially despised"; he believed its morality "that of Dickens's 'Christmas Carol', and thought its political aim was that of 'sentimental socialism.'"[221]

Jenkins and Stephen had a fraught relationship, which stemmed not only from their literary differences, but also from a former political rivalry. Both men were members of the Liberal Party, but the radical Canadian

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218 STEPHEN, *supra* note 209, at 16, Introduction, RCC Minutes, *supra* note 15, at 261.

219 STEPHEN, *supra* note 209, at 175.

220 RCC Minutes, *supra* note 15, at 264.

221 LESLIE STEPHEN, THE LIFE OF SIR JAMES FITZJAMES STEPHEN 345 (London, Smith, Elder & Co. 1895). *Ginx's Baby*, which Jenkins published anonymously, was in its thirty-seventh impression by 1876. It is estimated that the novel sold 42,000 copies. G.C. Kinnane, *A Popular Victorian Satire: "Ginx's Baby" and Its Reception*, 22 NOTES & QUERIES 116-17 (1975).

and the old Etonian were poles apart on most topics. Stephen had sought to be the Liberal candidate for the safe seat of Dundee in the 1874 election, but it was Jenkins with his 'unctuous philanthropic enthusiasm', who gained the candidacy and the seat.[222] A local campaign paper sympathetic to Stephen's candidacy described his liberalism as "the liberalism of self-help" and Jenkins's as that of "state aid, of self-abasement, of incapacity and indolence."[223] Such publicity probably did not help Stephen's cause much; Dundee wanted a true radical, and Jenkins, an ardent pro-imperialist with a socialist bent, fitted the bill and won the seat.

Fitzjames Stephen's distrust of principles of liberty and democracy are clearly reflected in his contributions to the Royal Commission on Copyright. Stephen signed the Report, but included a note appended to his signature. In this note, he recorded his disagreement from the Commission recommendations regarding abridgements, the right of dramatizing novels, and copying of pictures and statues. While acknowledging copyright as a proprietary right, he thought that it needed to be extremely limited in scope — protection should not be extended to abridgements and adaptations. As to the objection that inept dramatisations of novels might harm the reputation of the novel and its author, he was of the opinion that "artistic reputation is too delicate a matter to be made the subject of legal protection."[224] In his view, financial interests were the only interests that copyright ought to protect; moreover, the only financial interest that copyright ought to protect was the interest in preventing competing direct facsimile copying. Mallet's separate report concurred with Stephen on the subject of dramatising novels and extending copyrights in works of art.[225]

Allowing the market to govern the value of literary works presented distinct difficulties. Stephen recognized the challenge of trying to determine the value of books, engravings, photographs, and other works where the work itself has no clear pre-publication value and mass mechanical reproduction is possible. The market value of the book cannot be ascertained *until* it has been placed on the market; once it has been placed on the market it is too late to harness any of that value for the producer in the absence of some form of legal protection. Copyright could provide that necessary post-publication protection.

"I approve of copyright in books," explained Stephen, "because the MS has no money value until it is printed, and because when it has been printed, every copy is of equal value, so that unless a copyright existed the author of the most valuable work would have no money reward for writing

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222 STEPHEN, *supra* note 209, at 345.

223 *Id.* at 346.

224 RCC Report, *supra* note 15, at lvii.

225 *Id.* at liv.

it."[226] Consistent with his value theory, he did not approve of protecting with copyright works which had intrinsic value as physical objects, such as paintings and statues. In the case of a painting, the artist would receive the market value for the painting upon first sale. Subsequent copies would be of negligible value, and the original work retained its value. It was, of course, also much more difficult to copy a painting than a book. In an article published shortly after the Commission's Report, Farrer approved of Stephen's distinction between different kinds of works with "a sensible market value" and those which could be reproduced easily and cheaply.[227] With some prescience, he raised the problem that scientific advancements could pose to Stephen's distinction; "modern science tends to facilitate reproduction of all sorts of things, and that almost all subjects of copyright can be mechanically reproduced with more or less ease and cheapness."[228] While politically, they were far apart, and personally, they were enemies, Farrer and Stephen's justifications for copyright are intriguingly similar.

CONCLUSION

Although politicians, economists, and authors — and plenty of Victorians were all three — strove to fit copyright law into broader theories, questions of copyright policy and reform did not enter the realm of party politics as such.[229] As Scrutton explained: "the reform of the Copyright laws is not a 'party question' and authors are not deemed to have votes."[230] The Copyright Commission illustrates how individuals with similar political and economic views could disagree about exactly where copyright and other kinds of intellectual property fell within the framework of their ideologies and how those with opposing political views could find common ground in their approach to copyright. In 1883, the economist Henry Sidgwick also noted the dilemma faced by those attempting to apply classical economic principles to copyright law.

> A different kind of problem has somewhat perplexed and divided the adherents of natural liberty in respect of property in the results of intellectual labour. On the one hand it has seemed clear that the man who works with his brain has as much right to have the fruits of his labour secured to him as the man who works with his hands. On the other hand since the only effective way of protecting such fruits is to prohibit imita-

226 *Id.* at lvii.

227 Farrer, *supra* note 122, at 851.

228 *Id.*

229 MACFIE, *supra* note 18, at v. Moreover, according to Barnes, "No one in 1852 seriously contemplated any change in the copyright law as an easy solution to the problem of cheap literature." BARNES, *supra* note 38, at 104.

230 THOMAS E. SCRUTTON, THE LAW OF COPYRIGHT, at vi (London, W. Clowes, 2d ed. 1890). In the nineteenth century, copyright "was not a political issue in a party sense." FEATHER, *supra* note 72, at 195.

> tion on the part of others, it is not surprising that this very exceptional interference with the freedom of action of those others should have been thought by some persons to conflict with the principles of natural liberty.[231]

For writers like Scrutton and Sidgwick in the 1880s, the Commission's debates brought this complicated relationship between copyright and political economic thought to the fore. It is a paradox that attracts insufficient attention today. Fundamental philosophical differences about the purpose of copyright law and the empirical challenges presented by assessment of its effects, for good or ill, still make it difficult to assign copyright a role within larger political or economic frameworks. Moreover, the question of copyright law was often viewed as rather difficult, esoteric, and, ultimately, perhaps just not as important as other political and economic questions of the day. In consequence, disagreement about copyright's normative foundations and the complexity of its application created surprising allies and enemies. The fact that the great minds of the nineteenth century had difficulty placing debates over copyright firmly into prevailing economic theories and political agendas provides another compelling reason why the royalty proposals must be set within the context of such theories and agendas in order to be understood.

[231] HENRY SIDGWICK, THE PRINCIPLES OF POLITICAL ECONOMY (London, Macmillan & Co. 1883).

PART III

GALA REMARKS

THE 60TH ANNIVERSARY OF THE COPYRIGHT SOCIETY OF THE UNITED STATES OF AMERICA

by MARIA A. PALLANTE*

Good evening colleagues and guests. It is an honor to address you on the occasion of the 60th anniversary of the Copyright Society.

As I will explain, the Copyright Office has long enjoyed a meaningful bond with the Copyright Society, not only because the Office appreciates the copyright law and copyright lawyers, but because Former Register of Copyrights Arthur Fisher[1] helped to found the Society early in his tenure.

But first I would like to say a few words about this magnificent building. The Thomas Jefferson Building is one of the great landmarks of the Nation, named after a most visionary and accomplished president. As many of you know, Jefferson's personal collection of books is the core of the Library of Congress. This collection is on display for you to enjoy and is inspirational to say the least, although it can make people feel a bit — well — under-read.

The Librarian of Congress, James Billington, could not be here this evening, but I would like to thank him for making the Great Hall available for our celebration. I also want to recognize Associate Librarian Roberta Shaffer and her staff for so kindly opening the Library's main reading room to us and for sharing their literary and historical expertise for our enjoyment.

My remarks would be incomplete if I did not recognize the senior leaders of the Copyright Office and numerous Copyright Office alumnae who are in attendance because they are remarkable public servants.[2] And this evening would not have been possible without the vision and direction

*Maria A. Pallante is the Register of Copyrights of the United States and Director of the U.S. Copyright Office. This speech was delivered June 7, 2014, at the Copyright Society's 60th Anniversary Gala in the Library of Congress Great Hall, Thomas Jefferson Building. My thanks to senior counsel Erik Bertin for his assistance.

1 Register of Copyrights 1951–1960.

2 The Register identified the following Copyright Office staff: Jacqueline Charlesworth, Robert Kasunic, Karyn Temple Claggett, William Roberts, David Christopher, Doug Ament, Elizabeth Scheffler, Maria Strong, Sarang Damle, Erik Bertin, George Thuronyi and Robert Brauneis (2013-2014 Abraham L. Kaminstein Scholar-in-Residence). She recognized former Register Marybeth Peters and the following former staff: Jon Baumgarten, David Carson, Michele Woods, Shira Perlmutter, Steven Tepp, Mary Rasenberger, and Eric Schwartz. She also thanked the evening's organizers: Amy Nickerson and Rebecca Hinde from the Copyright Society

of the Copyright Society's officers, especially President Joseph Salvo and President-elect Eric Schwartz. Thank you.

Speaking of vision, did you know that the grand design of the Thomas Jefferson building is based on the Paris Opera House? It was constructed by the Army Corps of Engineers at a cost of $6.34 million.[3] When it opened in 1897, it was considered the most beautiful, educational, and interesting building in Washington. The size and scope of the structure, the exquisite artwork, and the fascinating sculpture left many Americans breathless.[4] On July 29, 1897 a reporter for the *National Tribune* wrote, "[t]he building is both splendid and monumental."[5] It "is the most imposing and beautiful . . . of any United States Department building or any building of like character in the world."[6]

It was this same year that Congress created the Copyright Office and the position of Register of Copyrights.[7] The formal codification of the Office, and the copyright system in its care, in turn tightened the appointments process for the Librarian, which from then forward required Senate confirmation.[8] Constitutional issues like these are very well known to members of the modern bar, but they do make the Congress of the late nineteenth century seem very exacting if not fairly prescient.[9]

Few would dispute that for many decades copyright law was an arcane subject practiced by a small group of lawyers in New York City and, later, Los Angeles. Practitioners had no professional organization and no periodical publication devoted exclusively to the subject. Law schools did not

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staff, Syreeta Swann and David Rice from the Copyright Office, and Larry Stafford and Angela Newburn from the Library's special events office.

[3] *See Thomas Jefferson Building*, ARCHITECT OF THE CAPITOL, http://www.aoc.gov/capitol-buildings/thomas-jefferson-building (last visited Sept. 26, 2014); *Creating the Thomas Jefferson Building*, ARCHITECT OF THE CAPITOL, http://www.capitol.gov/html/VGN_2010061494658.html (last visited Sept. 26, 2014).

[4] *See id.*

[5] Kate B. Sherwood, *The New Congressional Library*, NATIONAL TRIB., July 29, 1897, at 8, *available at* http://chroniclingamerica.loc.gov/lccn/sn82016187/1897-07-29/ed-1/seq-8.pdf.

[6] *Id.*

[7] *See* Act of Feb. 19, 1897, ch. 265, 29 Stat. 544, 545 (creating the office of the Register of Copyrights to "perform all duties relating to copyrights" under "the direction of the Librarian of Congress").

[8] 2 U.S.C. § 136 (2012).

[9] *See* 29 Cong. Rec. 388-89 (1896) (statement of Rep. Richardson) (referring to the Librarian and stating, "with respect to an office of this kind," Congress "should not depart from the constitutional provision that the President shall nominate and by and with the advice and consent of the Senate appoint"); *See also* Brief for the Federal Respondents in Opposition at18-20, Intercollegiate Broad. Sys., Inc. v. Copyright Royalty Bd., No. 12-928 (U.S. Apr. 26, 2013).

offer copyright law as course of study, with the notable exception of Professor Walter Derenberg's copyright class at New York University.[10]

In the early 1950s a group of practitioners and professors formed an informal organization in New York City known as the "The Copyright Circle" that met for lunch once a month.[11] The meetings were organized by Charles B. Seton, an attorney who represented, for example, Dick Clark, Beverly Sills, and the Boston Symphony Orchestra.[12]

The name of that organization, The Copyright Circle, gives us some idea of what it must have been like to be a copyright lawyer in those days: a small, closely knit community with a common interest in the arts. Indeed, the clever reference to the copyright symbol suggests that they had some of the same qualities that today's copyright practitioners are known for: creativity, wittiness, and above all, a love of the rules and technicalities that set copyright apart from other areas of the law.

Around the same time, the Copyright Office began compiling a monthly publication called the *Bibliographic Bulletin*, which was primarily intended for lawyers within the Office. The Bulletin was edited by the Office's Librarian, Miss Wilma Stine, and it covered recent legislation, court decisions, and legal publications on copyright.[13]

In March 1952, Register Arthur Fisher sent copies of The Bulletin to several members of the copyright bar. "It occurs to me that you might be interested in seeing a copy," he wrote. "Perhaps you will have suggestions as to omissions and additions for our next Bulletin. Any other ideas you have on the matter would be of interest."[14] The response was extremely positive. And thus, on July 17, 1952, the Register mailed copies to a wider but select group of experts in the United States and abroad for further comment. Many urged the Office to issue the publication on a regular basis.[15]

Despite the favorable reviews, Register Fisher had misgivings about the project. He was a busy Register, after all, and public distribution would impose an administrative burden on his staff. He believed it would

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[10] *See* E. Gabriel Perle, *Copyright Law and the Copyright Society of the USA, 1950-2000*, 47 J. COPYRIGHT SOC'Y 397, 398 (2000). Also, during the Register's speech, the audience made known that Gala attendees Jon Baumgarten and Judith Saffer were students of Professor Derenberg.

[11] *See* Maria Danzilo, *The President's Message*, 50 J. COPYRIGHT SOC'Y at iii, iii (2003).

[12] *See* Perle, *supra* note 10, at 398; *see also Charles B. Seton*, N.Y. TIMES, Aug. 24, 2005.

[13] *See* Richard S. MacCarteney, *De Origine*, 10 BULL. COPYRIGHT SOC'Y 297, 298 (1963).

[14] *Id.*

[15] *See id.* ("It was, according to one typical reply, 'of such great value that it should be continued at all cost to lawyers interested.'").

be preferable to start an independent organization.[16] Thus, on November 7, 1952 the Copyright Office sent a questionnaire to the bar, asking for interest in an organization to be known as "The Copyright Society of the U.S.A." for such purposes as might be agreed upon by its members.[17]

The Copyright Committee of the Bar Association of the City of New York appointed a subcommittee to work with the Copyright Office and decide questions of administration.[18] On March 17, 1953, Register Fisher met with twelve individuals at the National Republican Club in New York. They agreed on the name for the organization, the name for its publication, and the fee for membership: $25 for an annual membership and another $10 for a subscription to the *Bulletin*.[19]

On May 22, 1953 the Board of Regents of the University of the State of New York issued a provisional charter, which allowed the Copyright Society to publish the *Bulletin* at the NYU Law Center.[20] The charter summarized the purpose of the organization as follows:

- To promote research in the field of copyright law and its history, and generally to promote research in the fields of the law and rights relating to literary products;
- To gather and disseminate information concerning literary products and the copyright or other protection thereof;
- To gather and preserve books, manuscripts, papers, documents, law and reports relating to library products and copyrights or other protection thereof;
- To publish and distribute reports of the proceed[ing]s of the Society, bulletins, periodicals and other printed material in the field of literary products and the copyright or other protection thereof.[21]

By the end of that summer, the Copyright Society had 222 members and 339 subscriptions to the *Bulletin*.[22] Thus, as Morton David Goldberg observed on the Copyright Society's 20th Anniversary, the organization "grew out of what has become THE BULLETIN, and not vice versa."[23]

On June 15, 1953 — less than a month after it received its provisional charter — the Copyright Society published the first issue of *The Bulletin of*

[16] *See id.* at 298-99.
[17] *See id.* at 299.
[18] *See id.*
[19] *See id.* at 300.
[20] *See id.*
[21] Perle, *supra* note 10, at 401-02.
[22] MacCarteney, *supra* note 13, at 301.
[23] Morton David Goldberg, *The Copyright Society of the U.S.A. Celebrates Twentieth Anniversary*, 21 BULL. COPYRIGHT SOC'Y 197, 198 (1974). Mr. Goldberg was in attendance at the 60th Gala.

the Copyright Society on June 15, 1953. It was a slim volume containing a mere twenty-six pages with an unassuming grey cover and a title printed in purple ink. But inside there was an ambitious message from the first President of the Copyright Society, Samuel W. Tannenbaum. He explained that the Copyright Society would endeavor "to publish as promptly as possible all pertinent information for ready reference by members of the Copyright Bar and all other persons or organizations interested in copyright."[24]

And quoting Cicero, he acknowledged that "The beginnings of all things are small."[25]

In the early years, you may be surprised to learn that there were few meetings for the members of the organization — other than the formal meetings which were required for the election of officers and trustees.[26] But in 1977 the organization sponsored the first Annual Meeting of the Copyright Society at the Concord hotel in the Catskills. Roughly forty people attended the two and a half day meeting, much of which focused on the "new law." It was, according to one account, "an unqualified success."[27]

Of course, people and friendships are at the heart of the Copyright Society. In the words of my predecessor, Register Marybeth Peters, "The Society brings together incredibly talented, articulate, knowledgeable and genuinely nice people."[28]

And it is unique. On the 50th anniversary of the Copyright Society, then President Maria Danzilo wrote "[The Copyright] Society . . . is more than a bar association. It is the center of the copyright community in the United States, reaching out to industry, law firms, scholars, law students, and most recently, young students and the general public."[29]

Today, I imagine that Register Fisher and President Tannenbaum would be duly proud of the Copyright Society and the Journal that it produces. They would likely be fascinated by the state of the copyright law itself, from its ever incredible facts to its familiar concepts. And they would no doubt be impressed by the remarkable scale of legal talent in the field, like that which is represented here tonight.

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[24] Samuel W. Tannenbaum, *Message from the President of the Copyright Society of the United States of America*, 1 BULL. COPYRIGHT SOC'Y 1, 1 (1953).

[25] *Id.*

[26] *See* Perle, *supra* note 10, at 403.

[27] *Id.* A few Gala attendees noted they were in attendance at this first meeting, including Richard Dannay and Roger Zissu.

[28] Marybeth Peters, *Reflections of the Register of Copyrights*, 50 J. COPYRIGHT SOC'Y v, vi (2003).

[29] Danzilo, *supra* note 11, at iii.

And so it goes. As ordinary people view photographs on their phones and stream movies from their tablets, copyright lawyers debate the finer points of publication, distribution, and fair use, just like we always have — in Copyright Society meetings across the country and even abroad.

In closing, in honor of both the great complexities of the copyright law and the collegiality of the Copyright Society's members, I would like to offer you some inspiration. I have no further wisdom from Cicero, unfortunately, but I will quote my own favorite statesman and professor, Albus Dumbledore. He said, "Differences of habit and language are nothing at all," he said, "if our aims are identical and our hearts are open."[30]

Thank you.

[30] J.K. Rowling, HARRY POTTER AND THE GOBLET OF FIRE 723 (2000).

PART IV

BOOK REVIEW

Overlapping Intellectual Property Rights.
Edited by Neil Wilkof & Shamnad Basheer.
New York, NY: Oxford University Press, 2012, $230.00.

A Book Review by Andrea Rush

It is no secret that intellectual property has gone global, and that the protective regimes are under the microscope. It seems like yesterday that authors' rights were sacred, and the bargain theory justified the patent monopoly — seemingly without question. A wistful thought? Not for all creators and innovators.

Tackling a range of practical intellectual property issues, editors Wilkof and Basheer daringly confront the Goldilocks syndrome of rights overlay: *too hot, too cold, or just right?* This, in a nutshell, is what makes this book so essential in protecting, commercializing and enforcing intellectual property rights. It explores by raising the thought provoking questions as to what, why, how and where within the framework of practical scenarios and addresses those questions from different angles.

The book's introduction describes its genesis, a question to Neil raised in one of his law classes concerning the interface between various rights. The structure of the book reflects Neil's organized teaching. Thematically, we first need to understand the interface of intellectual property rights within a jurisdiction. We can then derive comparative responses pertaining to similar scenarios. Globalization of commerce on and off the Internet urges familiarization with both the former micro and the latter macro perspectives have become inescapable.

The strength of the text lies in the selection of authors and equally, of the concepts they choose to articulate in describing the landscape. The topics and their presentation offer thought for application beyond the specific jurisdiction, which is covered in their specific chapter. In so doing, they make the book attractive in its entirety to all readers confronting the difficult concepts of everyday practice, without jurisdictional limitations.

The author of the first chapter, Navigating the Interface between Utility Patents and Copyrights, is authored by noted litigator Andrew Bridges. The author's experience representing developers of cutting edge technologies, which originate in Silicon Valley and are reproduced, embedded and communicated to points of reception around the globe inform his comparison of the threshold of originality and limitations on enforceability, which are inherent in the respective forms of protection. I used to query what was intended by a paragraph in a copyright licence agreement which regulated the "use" of the work. Under Canadian law, copyright exists by statute, and the word "use" does not appear in the platform of rights, Section 3 of the Copyright Act. Strikingly, Andrew changed my thinking:

[N]ew "paracopyright" laws, while not directly increasing the scope of copyright rights, make illegal the use of certain devices and technologies that merely give "access" to copyrighted works even if their users do not engage in any of the controlled activities. As a consequence, the effective scope of copyright alw is becoming broader and more resembles that of patent law in the sense that the copyright law regulates "uses" of copyrighted works as the Patent Act regulates "uses' of inventions. (p, 14).

And so, in that short paragraph, Andrew casts the inextricable interconnection between creators, inventors and users. One is reminded of the Woody Allen joke — my brother in law is crazy. He thinks he is a chicken. I would do something about it, but I need the eggs. Or approached from a different angle, one might question whether innovation is best served by acrimony between stakeholders.

In the second chapter, entitled The Overlap Between Patent and Design Protection, author David Musker considers protection for a wearable beach towel with a circular opening. He contrasts aesthetics and functionality, and reminds us that functionality can serve as an aesthetic choice. The chapter provides graphic explanations for the examples analyzed, sourced from reported decisions, e.g., a patent for women's undergarments and an aesthetically ornamented water bottle bearing an industrial appearance.

Patents and Trade Secrets is the title of the third chapter, by Lionel Bently. Laws of the EU are presented in contrast to the U.S., and sprinkle conceptual nuggets throughout for use in all jurisdictions. By way of example. the author cites Jacob, J., in the leading case of *Mars v. Teknowledge*, [2000] FSR 138, 150:

> I cannot see why the mere fact of encryption makes that which is encrypted confidential or why anyone who decrypts something in code, should necessarily be taken to be receiving information in confidence. He will appreciate that the source of the information did not want him to have access, but that is all.

In the fourth chapter, entitled Interfaces in Plant Intellectual Property, Mark Janis describes the asymmetry between the scope of rights afforded under sui generis protection for plants and utility patents under U.S. law. He illustrates how overlapping protection is workable when each statute reaches cases that are beyond the scope of the other, even if dual protection arises in some circumstances.

The "soft intellectual property" rights are considered in chapter 7, by Craig Mende and Belinda Isaac, under the heading "When Copyright and Trademark Rights Overlap." As would be known to Canadian practitioners, this kind of overlap is expressly acknowledged in Section 64 of the Canadian Copyright Act. It is bound to increase as registration of sound marks becomes more prevalent, due to the ubiquitous use of sound cards

and the potential this new branding medium offers to advertisers and jingle writers.

Additional chapters venture into the realms of databases, unfair competition, personality and publicity rights, competition law and more. Useful comparison tables cover those jurisdictions (e.g., Canada) which were outside the scope of the first edition. These merit inclusion as chapters in their own right in the next edition.

The book does not impose an answer to the question of whether layering of rights is positive or negative. Rather, and generously, it presents evidence to support an argument on either side.

In my practice I have heard, read, and experienced first hand a question from a decision maker as to why decisions of foreign courts are relevant, if at all. Intellectual property law is primary statutory. By interpreting domestic legislation by reference to the strict wording of domestic law, judges give effect to the democratic process. A statute is meaningful when considered in its entirety, as it reflects the checks and balances, which are appropriate within the community its regulates. Why then refer to foreign precedents? The editors should be commended because they do not advocate the relevance, they simply offer a banquet from which to pick and choose concepts that in turn provide food for thought.

The book leaves this reader with the impression that intellectual property law rests on an elegant international structure. Standing back, this writer's view from Canada has been sharpened by texts such as this, which present a handy desk companion to our own Prof. Vaver's leading treatise on international intellectual property law, (referenced by Wilkof and Basheer). In summary, it is fascinating read and an extraordinary reference tool,

Editors Wilkof and Basheer, have produced no less than seventeen chapters plus summary tables by more than twenty-five contributors. They are to be commended for undertaking and excelling at the daunting challenges of identifying appropriate persons and editing the contents in light of the overall focus of the book. It is no surprise that the project spanned six to seven years. With the structure in place, and the groundwork well laid, the prospect of more changes in law and technology afoot — we can expect the dialogue to continue,

PART V

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

U.S. Copyright Office Issues Final Payment and Statement of Account Regulations for Section 115 Statutory License. The United States Copyright Office is issuing a final rule to implement section 115(c)(5) of the Copyright Act of 1976, title 17 of the United States Code. Section 115 establishes a compulsory license for the making and distribution of phonorecords of nondramatic musical works. Section 115(c)(5), in turn, requires the Register of Copyrights to prescribe by regulation the procedures for the monthly payment of royalties and preparation and service of monthly and annual statements of account by licensees. This final rule updates the existing payment and statement-of-account regulations in response to legal and marketplace developments, including the Copyright Royalty Board's adoption of newer percentage-of-revenue royalty rate structures for certain digital music services, and changes in accounting and industry practice in the years since the rules were last substantially amended.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Section 1201 Exemptions to Prohibition Against Circumvention of Technological Measures Protecting Copyrighted Works. The Copyright Office has initiated the sixth triennial rulemaking proceeding under the Digital Millennium Copyright Act, 17 U.S.C. § 1201, which provides that the Librarian of Congress, upon the recommendation of the Register of Copyrights, may exempt certain classes of works from the prohibition against circumvention of technological measures that control access to copyrighted works. The ultimate goal of the proceeding is to determine whether there are particular classes of works as to which users are, or are likely to be, adversely affected in their ability to make non-infringing uses due to the prohibition on circumvention of access controls. When such classes are identified, the Librarian publishes a rule exempting the classes from the prohibition against circumvention for the succeeding three-year period. The Notice of Inquiry requests written petitions for proposed exemptions from interested parties. For more information, please visit http://www.copyright.gov/1201.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

The Copyright Office Adopts a Final Rule to Streamline Its Recordation Practices. While the Copyright Office continues to develop its strategy for modernizing and improving recordation services via a comprehensive

reengineering, the Office has recognized that there could be immediate benefits if certain process changes were made in the interim. To this end, the Office is adopting a final rule that encourages remitters to include a cover sheet with the documents they submit to the Office; allows remitters to submit long title lists in electronic format; allows remitters to submit corrections to those title lists using a new correction procedure; and provides remitters with the option of requesting return receipts that acknowledge that the Office has received a submission. The *Federal Register* notice describing the final rule is available at http://www.copyright.gov/rulemaking/recordation-practices. This rule became effective October 17, 2014. In a separate notice of proposed rulemaking published in the Federal Register today, the Office seeks to establish a new fee for the correction procedure referenced above at a rate of seven dollars per corrected title. The notice of proposed rulemaking is available at http://www.copyright.gov/rulemaking/etitle-fees. The Office invited public comment on the proposed rule through the aforementioned web address. Written comments were due on or before October 17, 2014.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Office Revises Proposed Regulation on Auditing Statements of Account and Royalty Fees. The United States Copyright Office has published a notice of proposed rulemaking and request for comments concerning a new regulation that will allow copyright owners to audit the statements of account and royalty fees that cable operators and satellite carriers deposit with the Office for secondary transmissions of broadcast programming made pursuant to statutory licenses. The Office has revised an earlier version of the proposed regulation based on comments received from copyright owners, cable operators, satellite carriers, and accounting professionals and further consideration of the proposed audit process. The Office sought comments on the revised proposal before it is adopted as a final rule. Comments on the revised proposal were due on October 17, 2014.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

U.S. Copyright Office Releases the *Compendium of U.S. Copyright Office Practices, Third Edition*. Register of Copyrights Maria A. Pallante has released the official version of the *Compendium of U.S. Copyright Office Practices, Third Edition* (the "Third Edition"). The first major revision in more than two decades, it presents more than 1,200 pages of administrative practices and sets the stage for a number of long-term improvements in registration and recordation policy. It took effect on December 22, 2014.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Licensing Division Announced eLi Pilot Project; Cable Operators Were Encouraged to Participate. The Office invited cable operators to participate in the eLi Pilot Project whose period for participation ended on November 30, 2014. This project is intended to demonstrate and test a number of eLi's functions, from basic administration and user account creation to submission of Statements of Account (SOA) and the simultaneous filing of multiple SOAs (or "Batch Filing").

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

37 C.F.R., Part 380. Copyright Royalty Judges Make Final Determination on Minimum Fee For Noncommercial Webcasters for Licensing Period 2006 Through 2010, 79 Fed. Reg. 64,699-73. The Copyright Royalty Judges announced their final determination applicable to the license period from January 1, 2006, through December 31, 2010, upholding a $500 minimum fee for noncommercial webcasters who make ephemeral recordings of copyrighted sound recordings and digitally perform those recordings pursuant to sections 112 and 114 of the Copyright Act.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

37 C.F.R., Part 201. Office Issues Final Rule on Auditing Statements of Account and Royalty Fees, 79 Fed. Reg. 68,623-32. The United States Copyright Office has issued a final rule that will allow copyright owners to audit the statements of account and royalty fees that cable operators and satellite carriers deposit with the Office for secondary transmissions of broadcast programming made pursuant to statutory licenses. The rule became effective December 18, 2014.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

37 C.F.R., Part 380. Copyright Royalty Judges Solicit Comments on Proposed Regulations Governing Digital Performance of Sound Recordings and Making of Ephemeral Recordings by Noncommerical Educational Webcasters, 79 Fed. Reg. 65,609-12. The Copyright Royalty Judges published for comment proposed regulations governing the rates and terms under sections 112 and 114 of the Copyright Act for digital performances of sound recordings and the making of ephemeral recordings by noncommercial educational webcasters for the period from January 1, 2016, through December 31, 2020. Comments were due no later than November 26, 2014.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Announce Guidelines for Submitting Electronic Documents. The Copyright Royalty Judges published guidelines for sub-

mission of electronic documents in relation to the proceedings and business of the Copyright Royalty Board. The guidelines are meant to ensure that the judges receive the maximum benefit from documents that are submitted for their consideration.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

37 C.F.R., Part 381. Copyright Royalty Judges Announce Cost-of-Living Adjustment for Performance of Musical Compositions by Colleges and Universities, 79 Fed. Reg. 71,319. The Copyright Royalty Judges have announced a cost-of-living adjustment (COLA) of 2% in the royalty rates that colleges, universities, and other educational institutions not affiliated with National Public Radio pay under section 118 of the Copyright Act for use of published nondramatic musical compositions in the repertory of the performing rights organization SESAC. The adjusted rates are for the 2015 calendar year.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Office Initiates Public Comment Periods for Section 1201 Rulemaking. The Copyright Office has published a Notice of Proposed Rulemaking initiating three rounds of public comment on exemptions that have been proposed in the sixth triennial rulemaking proceeding under the Digital Millennium Copyright Act ("DMCA"), 17 U.S.C. § 1201. Section 1201 provides that the Librarian of Congress, upon the recommendation of the Register of Copyrights, may exempt certain classes of works from the prohibition against circumvention of technological measures that control access to copyrighted works.

In the first round of comments, which are due February 6, 2015, the Office seeks legal and evidentiary submissions from parties who support the adoption of a proposed exemption, as well as parties that neither support nor oppose an exemption but seek to share pertinent information about a proposal. Responsive legal and evidentiary submissions from those who oppose the adoption of a proposed exemption are due March 27, 2015. Written reply comments from supporters of a proposed exemption and parties that neither support nor oppose a proposed exemption are due May 1, 2015.

The office is also accepting brief general statements in support of or opposition to specific exemptions in accordance with the proceeding schedule. Commenters should carefully review the guidance provided in the Notice of Proposed Rulemaking regarding the format and content of submissions. For more information, including template comment forms, please visit http://www.copyright.gov/1201.

PART VI

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BIBLIOGRAPHY

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