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

Part I of volume 62, Issue 1, contains *The Public Policy Ground: The Historical Evolution and Validity of Moral Limits on Copyrightability Under the International Framework* by Methaya Sirichit of Naresuan Univerity in Thailand. In his article, the author "seeks to understand the historical foundation of the public policy ground — or the unclean hands defense as it is called in the United States — its continuing relevance in our contemporary global copyright system, and whether that doctrine comports with the international frameworks of copyright protection." His discussion covers developments in the unclean hands defense in the U.S., U.K., Canada, and Australia. Also included is an account of the historical development of moral limitations as they have affected the existence and enforceability of copyright in the United States and Britain. Non-common-law countries are dealt with in discussions of the extent to which pornography is protected by copyright in Japan, Thailand, and Taiwan. The author concludes that: "despite a tendency in some common-law jurisdictions to move away from the unclean hands defense in copyright infringement cases — the existence of the public policy ground is not entirely precluded by the international frameworks of copyright protection."

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.

Part III, Copyright Corner, contains a short article by frequent *Journal* contributor Michael A. Einhorn. Entitled *The ASCAP and BMI Consent Decrees: Is Partial Withdrawal Wise?*, it covers rate courts, administered pricing, economic efficiency, bilateral contracting, agent reorganization, collection and distribution, and anticommons and holdup. Mr. Einhorn concludes by presenting several proposed solutions for resolving present competitive concerns.

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

As always, your comments and suggestions are welcome.

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PART I

ARTICLE

THE PUBLIC POLICY GROUND: THE HISTORICAL EVOLUTION AND VALIDITY OF MORAL LIMITS ON COPYRIGHTABILITY UNDER THE INTERNATIONAL FRAMEWORK

by METHAYA SIRICHIT*

I. INTRODUCTION

A modern system of copyright protection is widely understood to indiscriminately protect works in a very broad category of subject matters.[1] Since the abolition of formalities achieved by the Berlin Revision of the Berne Convention for the Protection of Literary and Artistic Works in 1908,[2] copyright subject matter has enjoyed protection from the time of creation. This "automatic protection" makes it difficult for judges to assume the role of arbiters of aesthetics or moral standards.[3] Nevertheless, the Anglo-American copyright system has, for over 200 years, become accustomed to instances where courts assert their authority to interfere with copyright protection on the grounds of public policy. In many parts of the world, courts strive to find a counterbalance to the ever-broadening scope of protection enjoyed by modern works of authorship.[4] The fact that the current standard of originality is often too easily met pressures the courts to adopt certain principles and theories that allow them to intervene, on behalf of the public's moral demands, with copyright's statutory system of protection.

The problem of imposing moral limitations on copyrightability is that obscene and illegal works cannot — as proponents of the public policy ground claim[5] — always be consigned to the category of expression with a

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[1] Alexandra Sims, *The Denial of Copyright Protection on Public Policy Grounds*, 30 E.I.P.R. 189 (2008) [hereinafter Sims, *Denial of Copyright*].

[2] Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as revised at Paris on July 24, 1971 and amended in 1979, S. TREATY DOC. No. 99-27 (1986) [hereinafter Berne Convention].

[3] Sims, *Denial of Copyright*, *supra* note 1, at 189.

[4] For discussion concerning the relationship between copyright's originality requirement and aesthetics, see Eriend Lavik & Stef Van Gompel, *On the Prospects of Raising the Originality Requirement in Copyright Law: Perspectives from the Humanities*, 60 J. COPYRIGHT SOC'Y 387 (2013).

[5] Generally, British courts and scholars appear to prefer the terms "public policy ground" or "public interest" defense, whereas American authorities are likely to refer the doctrine as an "obscenity defense," which is often used interchangeably with *unclean hands* itself.

low level of originality. In fact, it is well accepted that works deemed obscene or licentious by one generation can become masterpieces in the next — a truth that reoccurs over and over throughout the history of art and literature. As Erza Pound, the expatriate American poet, recognized, authors' ability to compete in the international market of literature requires a liberalization of the main legal mechanisms that regulate the public consumption of creative writings, namely: obscenity statutes, the discretionary powers of customs and postal officials, and copyright law.[6] Authors who seek to challenge or disturb social, sexual, and aesthetic complacencies need a formalities-free copyright system that provides a content-neutral scheme of protection.[7] On the contrary, content-based conditions to copyright protection can disincentivize authors from developing or experimenting with works having provocative content or avant-garde styles. There are known cases where, because the public policy doctrine permits courts to withhold injunctive relief to authors of obscene works, the works found to be obscene or illegal also became victims of unrestrained piracy.[8]

Nevertheless, there are instances where the public policy defense may contribute to advance the goal of copyright protection. Traditionally, it has been argued that Congresses and Parliaments have finely balanced the interests of the public against the interests of copyright owners, and no other defenses of an extra-statutory nature can be admitted to modify the rights and privileges that are governed exclusively by the statutory

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[6] Robert Spoo, *Copyright Protectionism and Its Discontents: The Case of James Joyces's* Ulysses *in America*, 108 YALE L.J. 633, 634 (1998).

[7] Many expatriate authors live and work overseas in climates more friendly to their literary experimentation. James Joyce's *Ulysses* is one of the most glaring examples of how copyright formalities of the pre-1976 Act could force an author to censor or expurgate his own creation — i.e., having to choose between compromising the integrity of his work in order to avoid obscenity prosecution and forfeiture of his copyright for failure to comply with the domestic manufacturing clause. *Id.* at 643-53.

[8] The most famous example in this regard is D.H. Lawrence's *Lady Chatterley's Lover*, first published in 1928, which became the subject of obscenity trials across the world including the UK, the U.S., India, and Japan. This book has become the most pirated novel of the twentieth century due to its lack of copyright protection. Stephen J. Gertz, *The Most Pirated Novel of the 20th Century*, BOOKTRYST (Dec. 12, 2011), http://www.booktryst.com/2011/12/most-pirated-novel-of-20th-century.html. Robert Spoo, however, suggests that obscenity may have played a more subtle role in preventing authors from securing copyright protection in the U.S. ROBERT SPOO, WITHOUT COPYRIGHT – PIRACY, PUBLISHING, AND THE PUBLIC DOMAIN 79-89 (2013) (suggesting that scholars have erred in assuming that copyrights in obscene works are not enforceable, but admitting that, due to the threat of obscenity prosecution and uncertainty of protection, authors of those works may be less keen to comply with certain formalities, such as manufacturing requirement or registration with the Copyright Office).

scheme. However, because copyright is a system of economic monopoly, courts may have a legitimate claim to interfere with flagrant abuses of such rights.[9] Consider, for instance, some hardcore pornographers who — because their ability to legally distribute their products is circumscribed by local obscenity laws[10] — adopt a business model of targeting mass online infringers to raise revenues.[11] Copyright activists have called these pornographers and their agents "copyright trolls" because their manifest goal has been to try to threaten infringers into settlements rather than to win the suits.

In February 2012, Luixia Wong, one of the victims of copyright-trolling practice, brought a declaratory action against Hard Drive Productions, a copyright holder company, who accused her of illegally downloading its copyrighted movies.[12] Wong advanced a number of defenses, including a copyright misuse claim and a theory that obscene pornographic works cannot be covered by copyright because "copyright is authorized only for works which promote science and useful arts."[13] Although the case was closed before the court had a chance to address the arguments, this dispute demonstrated that an obscenity defense, as a subset of the public policy ground, may be potentially useful in combatting certain forms of copyright abuse. An essential question would, therefore, be how to apply the public policy ground or unclean hands doctrine in a manner that is consistent with the international protection frameworks under the Berne Convention, as well as the TRIPs Agreement.[14] The ap-

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[9] Alexandra Sims, *The Public Interest Defense in Copyright Law: Myth or Reality?*, 28 E.I.P.R. 335, 340 (2006) (opining that "the lack of a public interest defense could hamper the efficient administration of justice.") [hereinafter Sims, *Public Interest Defense*].

[10] Professor Ann Bartow, however, argued that since the advent of the Internet in the early 1990s, the unprecedented capability of distribution not only helped pornography to be corporatized, but also normalized pornographic content to the point where digital pornographers could enjoy expansive copyright protection. Ann Bartow, *Pornography, Coercion, and Copyright Law 2.0*, 10 VAND. J. ENT. & TECH. L. 799, 835 (2008).

[11] James R. Alexander, Swarms and Trolls – Recent Trends in Copyright Protection of Commercial Pornography in the United States 9 (discussion paper presented in the Copyright and Intellectual Property Track at the national conference of the Popular Culture Association, Washington, D.C., March 27-30, 2013), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2260913 [hereinafter Alexander, Swarms and Trolls].

[12] Plaintiff's First Amended Complaint, Wong v. Hard Drive Prods., Inc., No. C 12-00469 YGR (N.D. Cal. May 25, 2012), *available at* http://www.scribd.com/doc/80436912/Liuxia-Wong-vs-Hard-Drive-Productions-Complaint-Exhibits-A-B-C-D.

[13] *Id.* at 10-11.

[14] Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization,

parent tension between the international frameworks and domestic copyright systems is that Berne and TRIPs leave little room for contracting states to impose additional criteria for copyrightability,[15] whereas courts in many countries may feel that the territorial nature of copyright protection allows them to condition the threshold of protection on morality norms or public interests. To allow the public interest defense to coexist with the modern copyright system, we must determine an appropriate approach that does not unreasonably prejudice the property interests of the copyright holder.[16]

This article seeks to understand the historical foundation of the public policy ground — or the unclean hands defense as it is called in the United States[17] — its continuing relevance in our contemporary global copyright system, and whether that doctrine comports with the international frameworks of copyright protection. The article ultimately concludes that — despite a tendency in some common-law jurisdictions to move away from the unclean hands defense in copyright infringement cases — the existence of the public policy ground is not entirely precluded by the international frameworks of copyright protection. The Berne Convention, as recently interpreted by the WTO Panel, does permit members of the Union to oblige copyright owners to comply with certain principles of public policy. The Convention, as per Article 5(1), only mandates that a content-neutral regime of protection be afforded to all eligible works. Hence, courts may still subject the remedies available to a plaintiff to considerations of public policy. This article therefore suggests that the correct approach in implementing the public policy ground is to allow a plaintiff a maximum right to seek injunctive relief, without any discrimination regarding the work's content, whereas monetary damages may be treated as a matter of proof. This suggestion is based on the British Columbia Supreme Court's decision in *Aldrich v. One Stop Video, Ltd.*,[18] the only copyright decision that examined the public policy doctrine in light of Article 17 of the Berne Convention.

In Section II, this article discusses the historical development of the public policy ground, both in the United Kingdom and the United States. Different theories and rationales normally cited in support of the public policy ground's existence will be surveyed and examined in detail. Section

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Annex 1C, 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994) [hereinafter TRIPs Agreement].

15 Jane C. Ginsburg, *International Copyright: From a "Bundle" of National Copyright Laws to a Supranational Code?*, 47 J. COPYRIGHT SOC'Y 265, 277 (2000).

16 *See* TRIPs Agreement, *supra* note 14, art. 13.

17 These two terms shall be used interchangeably throughout this article.

18 [1987] 13 B.C.L.R. (2d) 106 (Can.).

III then explores a variety of approaches under which the doctrine is now applied within the common-law countries, including Australia, Canada, the United Kingdom, and the United States. This Section also provides a comparative view of how pornography can be protected, to a limited extent, in some select non-common law jurisdictions, including Japan, Taiwan, and Thailand. Finally, in Section IV, the validity of the unclean hands defense will be examined against the backdrop of the international regime of copyright protection, specifically under the Berne Convention and the TRIPs Agreement. This article argues that, while it is not clear whether imposing moral limitations on copyrightability contravenes the no-formalities rule under Article 5(2) of the Berne Convention, a limited application of the public policy ground is not entirely inconsistent with Berne's mandate. Specifically, a plaintiff's ability to seek remedies against an infringer may be restricted by the fact that the illegal nature of the work undermines the copyright owner's ability to establish monetary damages.

II. THE HISTORICAL DEVELOPMENT OF MORAL LIMITATIONS AFFECTING THE EXISTENCE AND ENFORCEABILITY OF COPYRIGHT

The issue of whether or not courts may deny enforcement of copyright in works whose contents are of questionable nature has been subject to controversy since the enactment of the first copyright statute. While there is no statutory basis in the U.S. law authorizing a defendant to raise an obscenity defense against a claim of copyright infringement, there has been a longstanding equitable principle that debars a plaintiff from enforcing his copyright based on morals as well as other public policy grounds.[19] Nevertheless, national practice in this regard differs from place to place, with each country developing its own approach with respect to the doctrine's application. On one hand, courts in American federal jurisdictions may feel compelled by sound policies to apply copyright law in a content-

[19] *See, e.g.*, Sims, *Denial of Copyright*, *supra* note 1, at 191-92 (arguing that there is a clear consensus that the public policy ground still exists in the UK); Jennifer E. Rothman, *Sex Exceptionalism in Intellectual Property*, 23 STAN. L. & POL'Y REV. 119, 140-43 (2012) (noting that although the conventional wisdom today discourages copyright's intervention into issues regarding public morality or illegality, the actual law is more opaque as some judges continue to suggest that obscenity may constitute an exception to copyright); Seong Choul Hong, *Copyright Protection v. Public Morality: The Copyright Protection Dilemma of Pornography in a Global Context*, 8 ASIAN J. WTO & HEALTH L. & POL'Y 301, 323-27 (2013) (demonstrating that a sexual exception to copyrightability still exists at a global level, with some of the most notable countries being China, India, Korea, Iran, and Malaysia).

neutral manner, absent a congressional mandate to the contrary. On the other hand, the United Kingdom's copyright statute — the Copyright, Designs, and Patents Act 1988 ("CDPA")[20] — seems to have confirmed that the public interest defense indeed exists within the country's jurisprudence of common-law copyright.[21] But, as we shall see in the recent English as well as American applications of the doctrine, the judicial understanding of the public policy ground has been, until recently, embarrassingly inconsistent. The protean nature of the doctrine is reflected in a myriad of possible ways in which it could be termed. Owing to the uncomfortable status of the public policy ground, it seems unclear whether the British Parliament properly understood the doctrine when it passed the CDPA in 1988.[22] In this Section, we will investigate the origin and the evolution of the unclean hands doctrine in order to understand the extent to which the defense still functions within the UK's and the U.S.'s copyright jurisprudence.

A. The Development of the United Kingdom's Extra-Statutory Conditions on Copyright Enforcement

In the United Kingdom, the denial of equitable relief in copyright infringement cases played an interesting role in the judiciary's struggles to demarcate the contours of copyright protection following the lapse of the Licensing of the Press Act in 1695 and the passage of the Statute of Anne in 1710.[23] Because early copyright statutes had no restriction on the form of literary property, English courts endeavored to assert jurisdiction over the nature of allegedly malicious publications and imposed moral oversight to fill the gap uncomfortably left by the copyright statute.[24] At about

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20 Copyright, Designs and Patents Act 1988, c. 48 (Eng.) [hereinafter CDPA].

21 Section 171 of the Copyright, Designs and Patents Act 1988 codifies "rights and privileges under other enactments or the common law." Section 171(3) states that: "Nothing in this Part affects any rule of law preventing or restricting the enforcement of copyright, on grounds of public interest or otherwise." *Id.* sec. 171.

22 Gerald Dworkin, *Judicial Control of Copyright on Public Policy Grounds, in* INTELLECTUAL PROPERTY AND INFORMATION LAW 143 (Jan J.C. Kabel & Gerald J.M.H. Mom eds., 1998) (arguing that if it had been clear to the legislature that the public interest defense was necessary, it would have been easy for the lawmakers to clarify the content of such defense).

23 *See* James Gibson, *Copyright as Censorship – Part 1*, THE MEDIA INSTITUTE (Dec. 22, 2009), http://www.mediainstitute.org/IPI/2009/122209_Copyrightas Censorship.php (last visited, Nov. 25, 2013) (noting the Anglo-American courts' direct censorship role in their judgments about the immorality of certain publications).

24 James R. Alexander, *Evil Eulogy: Reflections on the Passing of the Obscenity Defense in Copyright*, 20 J. INTELL. PROP. L. 209, 216 (2013) [hereinafter Alexander, *Evil Eulogy*] (noting that because no early copyright statutes

the same period, a new common law offense of "obscene libel" was created by the Court of King's Bench in *Dominus Rex v. Curl*.[25] As the publication of obscene materials became punishable as a criminal act, rather than being merely morally objectionable,[26] English courts found a better justification for denying copyright enforcement on legal grounds than to simply assume the role of moral police.[27] Later courts then further consolidated this approach by incorporating the familiar legal maxim of unclean hands into a copyright context.[28] In effect, courts overseeing copyright cases performed a censorial role of determining whether a work's content was inappropriate or condemnable under the doctrines of criminal libel long before the passage of the first obscenity statute, the Obscenity Publication Act of 1857.[29]

1. Copyright Courts' Superintendence Function over Public Morality

The earliest case where copyright protection was denied at equity appeared only ten years after the enactment of the Statute of Anne. For English courts of this early period of modern copyright, no distinction had yet been made between works that aimed at disturbing public order — i.e., writings that concerned seditious, blasphemous, libelous or fraudulent matters — and works that merely affronted public morals or decency.[30] In

clearly addressed the question of seditious, blasphemous and immoral content, statutory copyright was susceptible to a periodic attack of "moral panic" regarding the potential consequences of works of a questionable nature). Some scholars suggest that there is a long-standing tradition allowing courts — by deriving power from external legislative sources — to interfere with copyright legislation. *See, e.g.*, Dworkin, *supra* note 22, at 139; Sims, *Denial of Copyright*, *supra* note 1, at 189.

25 (1727) 93 Eng. Rep. 849 (K.B.). In this case, the King's Bench set a threshold of the new legal liability by relating it to a "social and ethical harm" done to the population. David Saunders, *Copyright, Obscenity and Literary History*, 57 ENGLISH LITERARY HIST. 431, 436-437 (1990) (explaining the impact of *Rex v. Curl* on the development of copyright's civil obscenity doctrine).

26 In *Rex v. Curl*, the court noted that the issue of morality used to be dealt with by the Spiritual Court. However, the justices thought that when an obscene writing was published, it produced palpable harm to the public peace and should therefore be an offense punishable at common law. 93 Eng. Rep. at 850-51.

27 Saunders, *supra* note 25, at 436-38.

28 Alexander, *Evil Eulogy*, *supra* note 24, at 216.

29 *Id.* at 231.

30 It appeared that English courts in this period viewed an act of advocating immorality and affronting public order to be one and the same. In *Rex v. Curl* (1727), it was made clear that common law courts had been highly uncomfortable regarding the impact of writings that possessed a "general immoral tendency." The justices sitting in that case all agreed that once an immoral

Burnett v. Chetwood,[31] a case involving an English translation of a scientific Latin treatise, Lord Chancellor Macclesfield held that the defendant's translation did not infringe upon the plaintiff's treatise since it constituted an entirely different work.[32] Nonetheless, Lord Macclesfield granted the plaintiff an injunction enjoining the publication of the defendant's book on the ground that the original treatise contained a "strange notion," which the plaintiff author intended to conceal from "the vulgar" in the Latin language.[33] Interestingly, while *Burnett v. Chetwood* is often cited as the first instance in which the "right of publication" was recognized by an equity court, the court's true motive in granting an injunction was unmistakably moral-related — as demonstrated by Lord Parker's assertion that Chancery had a "super-intendency over all books, and might in a summary way restrain the printing or publishing any [writing] that contained reflections on religion or morality."[34]

The impact of *Burnett* on copyright law was profound since it suggested the possibility of regulating obscenity (or publications of immoral tendency in general) not only through the criminal law, but also through equity courts.[35] However, *Burnett*'s lack of doctrinal support — other than a judge's moral compass — made it a poor guide for future courts that simply wanted to preserve judicial integrity without unnecessarily incurring public controversy.[36] By Lord Eldon's time, the pure conservator-of-public-morality approach of *Burnett* was largely abandoned and superseded by Eldon's procedural approach. But although *Burnett* drew no shortage of criticism from latter-day jurists who disavowed its validity,[37]

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writing was published, it became "an offense against the peace, intending to weaken the bonds of civil society, virtue, and morality," which gave rise to the grounds for punishment at common law. *Curl*, 93 Eng. Rep. at 851 (Probyn, J.).

31 Burnett v. Chetwood, (1721) 2 Mer. 441, 35 Eng. Rep. 1008 (Ch.).

32 *Id.* at 1009 (noting that "the translator dresses it up and clothes the sense in his own style and expressions, and at least puts it into a different form from the original, and *forma dat esse rei*; and therefore should rather seem to be within the encouragement than the prohibition of the act.").

33 *Id.*

34 *Id.*

35 Saunders, *supra* note 25, at 438.

36 Some commentators, such as David Saunders, believed that the *Burnett* doctrine was made obscure by the accident of non-reporting, thus preventing it from becoming a practice among equity courts. *Id.* On the other hand, Professor Alexander argued that it was because of the lack of guidelines for statutory interpretation that rendered *Burnett* unsuitable for adoption by subsequent courts. Alexander, *Evil Eulogy*, *supra* note 24, at 220, 312.

37 Edward S. Rogers compared *Burnett* approach with the censorship function of the Star Chamber in the sixteenth century. Edward Rogers, *Copyright and Morals*, 18 MICH. L. REV. 390, 392 n.4 (1919). Likewise, in his *Commentaries on Equity Jurisprudence*, the then Justice Story noted that it would be a

the general public morality theory continued to be an important justification for courts to interpose and rebuff a plaintiff's claim of property when a work's content had a tendency to subvert public morality.[38]

2. *Toward a Denial of Copyright on Broader Public Policy Grounds*

The equitable doctrine of unclean hands was based on a broader legal maxim of *ex turpi causa non oritur action* or "no action arises out of turpitude."[39] Although this maxim can be read as a broad objection against a plaintiff's illegal or immoral conduct toward a defendant, the history of its conception did not suggest that unclean hands could be used to address morally reprehensible actions that have no relationship with the defendant or the nature of claims at issue. Indeed, the first publication of maxims of equity by Richard Francis in 1728 offered no support to the frequent modern use of the doctrine in penalizing equity plaintiffs based on some general turpitude or immoral conduct.[40] According to an important study on this equitable doctrine, a broader application of unclean hands to accommodate public policy was an evolution that first appeared in English copyright cases during the early nineteenth century.[41] In the space below, we shall account how the equity maxim of unclean hands doctrine transformed into a fixed rule that could be used to negate statutory remedies in copyright infringement cases.[42] This evolution led not only to a general acceptance of an affirmative defense on grounds of obscenity and indecency, but also to a creation of content-based copyright that continues to

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very bad policy for an equity court to undertake a task so difficult as determining the correctness of moral, theological, metaphysical, and political statements. 2 JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE § 938 (Boston, Little, Brown & Co. 6th ed. 1853).

38 Dan W. Schneider, *Authority of the Register of Copyright to Deny Registration of a Claim to Copyright on the Ground of Obscenity*, 51 CHI-KENT L. REV. 691, 695 (1975) (claiming that although some courts relied on a property theory to deny a plaintiff's copyright, the conclusion which led to denial largely rested on general moral demand); RICHARD GODSON, A PRACTICAL TREATISE ON THE LAW OF PATENTS FOR INVENTIONS AND OF COPYRIGHT 478 (London, Saunders & Benning 2d ed. 1840) (stating that "the courts of common law, and of equity, strive to protect the morals of the public.").

39 Alexander, *Evil Eulogy*, *supra* note 24, at 221.

40 In his *Maxims of Equity*, regarding to the maxim: "He that hath committed inequity shall not have equity," Francis commented that "the iniquity must have been done to the defendant himself." RICHARD FRANCIS, MAXIMS OF EQUITY 7 (Richmond, Shepherd & Pollard 1st Am. ed. 1823). *See also* Zechariah Chafee, *Coming into Equity with Clean Hands*, 47 MICH. L. REV. 877, 881 (1949) [hereinafter Chafee, *Coming into Equity*].

41 Chafee, *Coming into Equity*, *supra* note 40, at 883.

42 Alexander, *Evil Eulogy*, *supra* note 24, at 222.

pervade copyright thinking in Anglo-American law in the twenty-first century.

a. Equitable Principles Preclude the Existence of Property in Illicit Content

The origin of the obscenity defense as an evolution of the unclean hands doctrine can be traced back to the dictum of Chief Justice Eyre in *Dr. Priestley's Case*,[43] an unreported English decision concerning the destruction of written manuscripts during the so-called Priestley Riots of 1791.[44] In *Dr. Priestley's Case*, the plaintiff brought an action for damages against the participants in the Birmingham riot who had burned down his house and, destroyed with it, his unpublished manuscripts.[45] Chief Justice Eyre, relying on Dr. Joseph Priestley's penchant for criticizing the government and his sympathy for French republican ideals, assumed that the lost manuscripts were similarly "injurious to the government of the state" despite not having any evidence regarding their content.[46] Chief Justice Eyre then made a famous dictum that equitable principles deny that property could exist in illicit works that were calculated to harm the public.[47]

While Chief Justice Eyre's dictum subsequently became influential in English copyright jurisprudence, it seemed to be an erroneous application of the unclean hands maxim for several reasons. First, the court's application of the doctrine clearly prejudiced its consideration based on the plaintiff's history of subversive writings — a mere hint or tendency that had no clear relationship with the actual content of plaintiff's manuscripts.[48] Moreover, the dictum was not confined to just "illegal works" since the plaintiff's manuscripts at issue had yet to be published and, therefore,

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[43] There is no published report of *Dr. Priestly's Case* apart from its mention in Lord Eldon's ruling in *Southey v. Sherwood*, (1817) 35 Eng. Rep. 1006, 1007 (Ch.), and *Stockdale v. Onwhyn*, (1826) 108 Eng. Rep. 65 (K.B.).

[44] For an account of the details of the riot, see ROBERT E. SCHOFIELD, THE ENLIGHTENED JOSEPH PRIESTLEY 263-89 (2004).

[45] Bonnie Wilkinson, *Recent Developments*, 46 FORDHAM L. REV. 1037, 1039 (1977) (citing Southey v. Sherwood, (1817) 35 Eng. Rep. 1006, 1007 (Ch.)).

[46] Sims, *Denial of Copyright*, *supra* note 1, at 189.

[47] The dictum constituted a part of Eyre's jury instruction that should Priestley's works be of the same seditious nature as his previous writings, Priestley could not claim property in them. The jury subsequently awarded Priestley only damages for physical property, but not the lost manuscripts. Alexander, *Evil Eulogy*, *supra* note 24, at 232.

[48] *Id.* at 236 (noting that Chief Justice Eyre's disqualification of Priestley's work as non-property for reasons of public policy was a strained extension of unclean hands to literary property). Justice Eyre's dictum and his prejudice towards property interests in subversive writings had been a subject of criticism since the early nineteenth century. *See, e.g.*, Stockdale v. Onhwyn, (1826) 108 Eng. Rep. 65 (K.B.).

could not be held to violate the law of seditious libel at the time.[49] Professor James Alexander suggests that *Dr. Priestley's Case* reflected the English judiciary's early struggle to preserve the court's integrity when faced with a claim for damages concerning writings of *possible* criminal nature.[50] For although the illicit nature of an allegedly infringed work may not be factually certain, it seemed to be a bad policy for courts to countenance criminal writings by awarding damages to their authors.[51] Finally, the property theory propounded in *Dr. Priestley's case* is hardly compatible with the nature of the unclean hands doctrine — an equitable defense "that can be raised to defeat an equitable remedy, but not one that defeats other remedies."[52] For all these reasons, *Dr. Priestley's Case* should perhaps be understood as a modification of the unclean hands doctrine for special applications in disputes involving literary property.

The so-called property theory is not a separate concept from unclean hands, but rather an analogical argument in support of extending the equitable doctrine of unclean hands to broader and more sensitive public policy concerns.[53] Despite the weakness of *Dr. Priestley's Case*, Chief Justice Eyre's no-property conclusion as an extension of unclean hands to limit the statutory protection in literary works, the "contraband" fiction appeared to be a useful theory and comports well with the "commodity" concept of the Anglo-American copyright system.[54] Lord Chancellor Eldon, who was universally credited as the inventor of the obscenity defense in copyright law, took up the theory and developed his own jurisprudence in what was later referred to as the civil obscenity doctrine. In two influential decisions, *Walcot v. Walker* (1802)[55] and *Southy v. Sherwood* (1817),[56] Lord Eldon further improved on Justice Eyre's interpretation of

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[49] One enduring interpretation of Justice Eyre's dictum is that, because of the potential criminality of the ruined manuscripts, Priestley could not have established "the right to sell" — i.e., an argument in support of his claim for damages that his writings had any estimable market value. Alexander, *Evil Eulogy*, *supra* note 24, at 234.

[50] *Id.*

[51] *Id.*

[52] T. Leigh Anenson, *Limiting Legal Remedies: An Analysis of Unclean Hands*, 99 Ky. L.J. 63, 65 (2010) (quoting 1 Dan B. Dobbs, Dobbs Law of Remedies: Damages-Equity-Restitution § 2.4(2) (2d ed. 1993)).

[53] Professor Jeremy Phillips observed that, compared with real and tangible property, intellectual property is far more amenable to the protection of the public interest. Jeremy Phillips, *The Berne Convention and Public Interest*, 9 E.I.P.R. 108, 109 (1987) [hereinafter Phillips, *Berne Convention*] (arguing that copyright focuses largely on certain economic activities rather than on a genuine possessory interest).

[54] Schneider, *supra* note 38, at 696.

[55] (1802) 32 Eng. Rep. 1 (Ch.).

[56] (1817) 35 Eng. Rep. 1006 (Ch.).

unclean hands when he refused to grant an injunction to restrain the sale of copies of what he considered to be works of an immoral tendency. In *Walcot*, Lord Eldon refused to grant an injunction prohibiting the defendants from publishing the plaintiff's allegedly libelous book.[57] Eldon's unique touch in unclean-hands jurisprudence, however, was in his analytical interpretation of the doctrine, which directed equity courts to suspend judgment until they can be more certain about the nature of the work. For although he affirmed the validity of Justice Eyre's doctrine,[58] Lord Eldon stated that the Court of Chancery was in no position to decide whether "the author can maintain no action at law for the invasion of that, which he calls his property, but which the policy of the law will not permit him to consider his property."[59]

Likewise, in *Southy*,[60] the Lord Chancellor maintained that the only way for the plaintiff to get an injunction — when there was a "rational doubt" about the nature of an allegedly infringed work — was to convince a jury first that he has a "property" in the book.[61] Interestingly, Lord Eldon felt that he might have no jurisdiction to consider the work's criminality for a different reason: i.e., because a copyright infringement case is a dispute concerning civil interests of the parties.[62] Regardless, he refused to award the plaintiff an injunction, under the premise that an equity court shall not interpose with an injunction when the existence of a right of property is in doubt.[63] In a famous passage in *Southy*, Lord Eldon reformulated with approval the doctrine of Justice Eyre: "a person cannot recover in damages for a work which is, in its nature, calculated to do injury to the public."[64]

It is difficult to play down the significance of Justice Eyre's dismissal of property status in works having a mere tendency to produce harms upon a society. After all, English and American concepts of copyright were rooted in a creation of literary "commodity," which started with the

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57 *Walcot*, 32 Eng. Rep. at 1.

58 *Id.* (stating that "If the doctrine of Lord Chief Justice Eyre is right, and I think it is, that publications may be of such nature, that the author can maintain no action at law . . . .").

59 *Id.*

60 This case concerned an unauthorized publication of the poem *Wat Tyler*, which was composed in 1794 by the then poet laureate, Robert Southy. Southy however did not publish it for twenty-three years, apparently out of the fear that its content, if published, might transgress public decency. *Southy*, 35 Eng. Rep. at 1007-08.

61 *Id.* at 1006.

62 *Id.* at 1007.

63 *See* Jeremy Phillips, *Copyright in Obscene Works: Some British and American Problems*, 6 ANGLO-AM. L. REV. 138, 141 (1977) [hereinafter Phillips, *Copyright in Obscene Works*].

64 *Southy*, 35 Eng. Rep. at 1008.

Statute of Anne and continues to characterize the Anglo-American copyright system until the present day.[65] The creation of the obscenity offense, both by criminal courts and at a statutory level, therefore rendered it possible to treat publishers and writers as the agents of the distribution of a harmful substance.[66] In contrast, the European moral right system was founded on the idea of a perpetual right, which guarantees that an author will always be able to control his or her intellectual creation as an integral part of one's personality.[67] In this regard, the underlying characteristic of the Anglo-American concept of literary property contributed profoundly to the creation of a copyright system in which the harmful tendency of a work's content can undermine the author's ability to enforce his or her rights.

b. The Procedural Application of Unclean Hands and the Judicial Development of Content-Based Copyright

Another direct consequence arising from the introduction of the unclean hands maxim as a defense in copyright infringement cases is that it prevented courts from viewing statutory copyright as a content-neutral law.[68] At first blush, the underlying premise of unclean hands — denying justice to individual plaintiffs for a greater public good — may seem compatible with the hugely influential Benthamite philosophy of "greatest good for greatest number." But the unclean hands doctrine, in fact, has at best a questionable justification under the utilitarian theory.[69] It is well known that courts have perennially struggled with the most obvious conse-

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[65] The creation of modern copyright as represented by the passage of Statute of Anne in 1710 was designed to accommodate the growth of the printed-book trade and to break down the Stationers Guild's monopoly by allowing writers to occupy the status of owners of a commercial commodity. Saunders, *supra* note 25, at 436.

[66] *Id.* at 438.

[67] *Id.* at 442.

[68] As Professor Gerald Dworkin put it, because it provides extra-legislative power for judges to interfere with statutory copyright protection. Dworkin, *supra* note 22, at 137.

[69] According to Jeremy Phillips, the unclean hands doctrine is supported by the "tainting theory" — that "the courts will not delve into any area in which the exercise of their equitable jurisdiction would bring about a miscarriage of public policy." Phillips, *Copyright in Obscene Works*, *supra* note 63, at 143. The tainting theory is premised upon the notion that copyright is all about the incentive to create — the grant of a property right in exchange for intellectual labor pursuant to the Lockean proviso. Consequently, it is argued, no state and society would wish to be seen as countenancing and being willing to reward the creation of products with an immoral tendency. Colin Davies, *A Scandalous Affair: The Disparity in the Application of Morality to Trade Marks, Patents and Copyright*, 34 E.I.P.R. 4, 5 (2012).

quence of the doctrine's application — allowing harmful works to proliferate without control, and thereby exacerbating the harms that disqualified the work from protection in the first place.[70] In addition, the judicial application of unclean hands to the nature of literary property placed courts in a precarious position. Each judgment in that direction normally contained a certain amount of arbitrariness and whimsical reasoning — typical characteristics of civil obscenity cases — and could potentially expose courts to charges of judicial bias or prejudice against certain types of content.[71] Despite these shortcomings, English courts tended to view the lack of descriptive limitation on content in copyright statutes as an invitation for administering public policy considerations in infringement cases.[72]

As far as tradition goes, equity courts had neither a jurisdiction over criminal matters, nor a moral justification to tailor an equitable judgment to protect the morals of society.[73] Early nineteenth-century England, however, was a time preceded by a period of great upheaval and fear of sedition.[74] These concerns apparently discouraged courts from countenancing publications of an immoral tendency, even though doing so might prove to be a better legal judgment. Against this backdrop, Lord Eldon found the answer to the Chancery's lack of jurisdiction in the creation of the unclean hands defense and in the jurisdictional threshold based on common law obscenity.[75] To his credit, Lord Eldon did endeavor to

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[70] For example, in *Southy*, Lord Eldon admitted that withholding an injunction may increase circulation of a mischievous book, which later proved to be just the case as Southy's *Wat Tyler* sold 60,000 copies. Chafee, *Coming into Equity*, *supra* note 40, at 883-84. In *Stockdale* (1826), Chief Justice Abbott acknowledged that the publication of a harmful work may well be "most effectually restrained by granting an injunction." But he claimed that "the same object will be best attained by holding that there can be no property in the work; for the inducement to become the publisher will be less if other persons may [freely] copy and publish the book." *Stockdale v. Onwhyn*, (1826) 108 Eng. Rep. 65 (K.B.). Chief Justice Abbott's opinion, however, only loosely assumed without evidence that each option will achieve the same goal.

[71] Alexander, *Evil Eulogy*, *supra* note 24, at 215.

[72] Content-based interpretation of copyright law is hardly unique to the Statute of Anne. All early copyright statutes provided little or no prescription about the qualifying conditions or requirements as to the character of a literary production entitled to copyright. EATON DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS 181 (Boston, Little, Brown & Co. 1879).

[73] Alexander, *Evil Eulogy*, *supra* note 24, at 284.

[74] *Id.* at 313.

[75] According to David Saunders, it was a common law case, *Dominus Rex v. Curl*, (1727) 93 Eng. Rep. 850, that established a jurisdictional threshold for equity courts to deny copyright protection based on the unclean hands theory. The jurisdictional threshold created by *Curl* was replaced 232 years

dissuade equity courts from drawing quick legal distinctions, based on their own views regarding the infringed work's content, by directing works of questionable tendency to an action at law.[76] The suspension of judgment necessarily amounted to temporarily denying a plaintiff's standing in a court of equity until he could establish that he had a protectable "property" or a right to sell the work.[77] Ultimately, however, Eldon's approach cannot be read strictly as procedural as he continued to assign works of vastly different characters into the doubtful category — a task usually reserved for a jury.[78] Following the two key decisions in *Walcot* and *Southy*, Eldon developed a new jurisprudence on unclean hands that comported with his content-based view of copyright: a doctrine that allowed equity courts to intervene on grounds of general *immoral tendency*.[79] His next two cases would see him denying injunctive relief in works whose content contradicted the doctrines of the Scriptures.[80]

To sum up, Eldon's unclean hands jurisprudence — instead of fulfilling its role as a procedural solution to the problem of obscene or illegal content — in practice transformed into an extra-statutory defense that made existence of copyright contingent on broad public policy grounds.[81]

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later with the passage of the Obscenity Publication Act 1959. Saunders, *supra* note 25, at 437.

76 Alexander, *Evil Eulogy*, *supra* note 24, at 252; 1 HUGH LADDIE, PETER PRESCOTT & MARY VITORIA, THE MODERN LAW OF COPYRIGHT AND DESIGNS 740 (3d ed. 2000) (noting that Lord Eldon's decisions did not dictate that copyright in morally reprehensible works would not be enforced, but merely that a doubtful matter should be directed to a trial at law).

77 According to Professor Alexander, Lord Eldon's procedural application of unclean hands allowed equity courts to preserve a "structure of uniformity" by deferring matters pertaining to the moral nature of literary property to law courts. Alexander, *Evil Eulogy*, *supra* note 24, at 252-53. *See also* LADDIE ET AL., *supra* note 76, at 740 (noting that Eldon's holding could either be read as either requiring plaintiffs to establish a right to sell or subjecting the property status of a writing to the legality of its content).

78 Eldon's deferral to a law court in this matter was not complete, as he maintained that it was within the Chancery's jurisdiction to make a preliminary assessment of the contested work's illegal tendency. *See* Walcot v. Walker, (1802) 32 Eng. Rep. 1, 1 (Ch.).

79 Chafee, *Coming into Equity*, *supra* note 40, at 883.

80 *See, e.g.*, Murray v. Benbow, (1822) 37 Eng. Rep. 928, 929 n.1 (Ch.) (denying an injunction to restrain the piracy of Byron's *Cain* because he thought it contradicted the Scripture); *Lawrence v. Smith*, (1822) 37 Eng. Rep. 928, 929 (Ch.) (declining to continue an injunction against the defendant, concerning the plaintiff's lecture on "Physiology, Zoology and the Natural History of Man," and held that "the law does not give protection to those contradict the Scriptures[.]").

81 Lord Eldon himself was much responsible for this transformation. In *Gee v. Pritchard*, Eldon perceived equity as made up of doctrines "as well settled and made as uniform almost as those of the common law, laying down fixed

By 1822, obscenity, immorality, blasphemy, and libel were widely recognized as grounds for defense against infringement claims. The first-ever, and very influential, copyright treatise by Richard Godson cited Eldon's major decisions, including *Walcot* and *Southy*, to conclude that English courts — pursuant to the policy of the law — shall not treat as property works whose content raises doubt as to its "evil tendency."[82] We should also keep in mind that cases where both law and equity courts denied remedies to copyright plaintiffs, on the basis of the works' content, have sometimes been referred to as "civil obscenity" cases.[83] Because civil obscenity cases predated statutory criminal obscenity,[84] early courts thus adopted an intuitive rather than definitional approach to obscenity.[85] The nebulous standards of civil obscenity effectively undermined the status of "author" created by the enactment of the Statute of Anne — as the threat of being criminalized, or having their works judged obscene, deterred creators from appearing in courts as authors in order to enforce their rights.[86]

c. An Early Challenge Against the Validity of the Public Policy Ground

Almost immediately after Lord Eldon affirmed Justice Eyre's doctrine in *Walcot*, law courts began adopting Eldon's reasoning as their own and invariably ruled in *nisi* that a plaintiff shall not be entitled to damages unless he could establish that he had property in the literary work.[87] In

principles." (1818) 2 Swanst. 402 (*quoted in* Roscoe Pound, *The Decadence of Equity*, 5 COLUM. L. REV. 20, 25 (1905)).

82 GODSON, *supra* note 38, at 478-79.

83 The term "civil obscenity" was probably invented to distinguish the modern trend of applying the clean hands doctrine — which is based on a more general concern over a work's immoral tendency — from the original "contraband" fiction under Justice Eyre's property theory. *See* Saunders, *supra* note 25, at 433.

84 The first English obscenity statute was the Obscenity Publications Act 1857. However, a real legal test for criminal obscenity was established a decade later in *Regina v. Hicklin*, [1868] 2 L.R. 2 Q.B. 360. *See id.* at 438.

85 Phillips, *Copyright in Obscene Works*, *supra* note 63, at 144-45.

86 According to Saunders, many nineteenth- and twentieth-century writers, such as D.H. Lawrence, experimented with literary genres destined to be read or enjoyed by those selected few whom the author judged "competent to use erotic literature to work on perfecting their sexual personality." Thus, allowing such works to be cheaply accessible to a general public would be repugnant to the author's purpose. Saunders, *supra* note 25, at 440. In this respect, Lord Eldon recognized that some authors may be more concerned with preventing the proliferation of such literature rather than being driven by profit. Eldon thus intimated that he might grant an injunction in such scenario. Southy v. Sherwood, (1817) 35 Eng. Rep. 1006, 1007 (Ch.).

87 For example, in *Hime v. Dale*, a dispute involving unauthorized publication of a song's lyric (called "Abraham Newland"), which the defendant claimed

effect, the broad application of unclean hands by the courts subjected otherwise copyrighted expressions to the highly unpredictable, and morally based, nature of the civil obscenity standard of nineteenth-century England. But it is also during this period that we begin to see the public policy ground and the idea of extra-statutory conditions on copyrightability being challenged.[88]

The weakness of a content-based interpretation of copyright law was challenged, albeit unsuccessfully, in *Stockdale v. Onhwyn*.[89] In that case, the plaintiff sought a new trial after a law court held that he, as the first publisher of a libelous or immoral work, could not maintain an action (i.e. nonsuit) against any person for publishing a pirated edition.[90] Brougham, as counsel for the plaintiff, argued that: "it is one thing to refuse the special protection of an injunction, and another to say that there can be no property in the book. . . . [Since] it is impossible to say that the plaintiff cannot have property in this work for any purpose."[91] Brougham also attacked Justice Eyre's dictum in *Dr. Priestley's Case* — denying the plaintiff's right to seek damages in the destroyed manuscripts — as "not well-

was a nefarious libel upon the administration of British justice, Lord Ellenborough conceded that there was an affirmative defense on grounds of public policy in copyright law. (1803) 170 Eng. Rep. 1070-71 (K.B.) (holding that "[i]f the composition appeared on the face of it to be libel so gross as to affect public morals, I should advise the jury to give no damages."). *See also* DuBost v. Beresford, (1810) 170 Eng. Rep. 1235 (K.B.) (denying that a libelous painting, which was destroyed by the defendant's sister had any value as a picture); Fores v. Johnes, (1802) 170 Eng. Rep. 654-55 (K.B.) (holding that owners of caricature prints whose objects are general satire or ridicule of prevailing manners of fashions are entitled to damages; but monetary relief would be denied for such work whose tendency is immoral or obscene).

88 *The Times* (London) published an editorial reaction, on August 12, 1823, criticizing the public policy defense as having no support from "statute, decision, or legal authority whatever, but was founded on a single passing observation, which fell from Lord Chief Justice Eyre." TIMES (London), Aug. 12, 1823, at 2 (quoted in Alexander, *Evil Eulogy*, *supra* note 24, at 251-52.)

89 Stockdale v. Onhwyn (1826), 108 Eng. Rep. 65 (K.B.) (Stockdale II).

90 The work at issue, *The Memoirs of Harriette Wilson*, professed to be a history of the amours of a courtesan, which contained many immoral and licentious parts. *Id.* In the first trial, the plaintiff's attorney argued that "[i]n every case that has occurred, the objection to the morality of the work has been taken by innocent parties, and not one defending his own wrong." Chief Justice Abbott, however, preferred a broader application of the doctrine, stating that: "Everyone who comes to seek the protection of the law for his property, must show that property to be worthy of that protection." Stockdale v. Onhwyn, (1826) 172 Eng. Rep. 75-76 (K.B.) (Stockdale I).

91 *Stockdale II*, 108 Eng. Rep. at 65.

founded in law."[92] He pointed out that it would be a bad policy for the court to frustrate the purpose of the copyright statutes by condoning a crime of piracy, since the statutes:

> were intended not only to protect the property of works, but also to prevent piracy; and they did not give an action for an infringement of copyright, but render piracy punishable, by enacting that the sheet should be given up, and certain penalties imposed.[93]

The court was, however, unsympathetic to Brougham's arguments. Chief Justice Abbot was adamant that, in such a work whose content was not only indecent but also slanderous, the plaintiff could not maintain an action since he had neither the right to sell nor to publish.[94] The Lord Chief Justice averred that he based his decision on the "[c]ommon sense, common law and common justice" and that he needed no authority to support the non-suit judgment.[95] Justice Littledale, on the other hand, was the only judge that directly addressed plaintiff's arguments. He admitted that there had been a lack of understanding regarding whether the privileges of copyright were in fact conferred by the common law or by the Statute of Anne.[96] Justice Littledale nonetheless based his rejection of the plaintiff's right on the recital part of the copyright statute, which declared the legislative intent to be "for the encouragement of learned men to compose and write useful books."[97]

The law court's application of the unclean hands doctrine in *Stockdale* showed how Lord Eldon's introduction of "reasonably doubtful" content, as a third category of literary property, slowly developed into an uncertain conditional threshold regarding the existence of copyright. It cannot be denied that there was very little legislative guidance regarding the originality threshold for copyright protection in the early nineteenth century. When the legislature acquiesced on public morality, it may have seemed appropriate that the courts should fill in the gap.[98] The problem was that

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92 *Id.*

93 *Stockdale I*, 172 Eng. Rep. at 78.

94 *Stockdale II*, 108 Eng. Rep., at 66.

95 *Id.*

96 *Id.*

97 *Id.* According to Professor Alexander, this was the first time that copyright protection was denied on the grounds that the work at issue was not "useful" or did not contribute to the "encouragement of learning." Alexander, *Evil Eulogy*, *supra* note 24, at 256. Usefulness as justification for protection is also echoed by the "Progress Clause" of the U.S. Constitution, which represented a content-based limit on copyright until the late twentieth century. *See, e.g.*, Ned Snow, *The Regressing Progress Clause: Rethinking Constitutional Indifference to Harmful Content in Copyright*, 47 U.C. DAVIS L. REV. 1, 4 (2013) [hereinafter Snow, *The Regressing Progress Clause*].

98 Alexander, *Evil Eulogy*, *supra* note 24, at 313.

the desire to find explanations or theoretical support for unclean hands led courts to embrace elusive principles that contributed to the often-contradictory interpretations of copyright law with respect to qualifying conditions of copyrightability.[99] On one hand, notwithstanding Justice Littledale's opinion in *Stockdale*, the idea that a property existed only in writings of literary value was not supported by case law and its validity could only be called into question.[100] On the other hand, writers of both British and American copyright treatises of the nineteenth century conceded that "qualities . . . essential to bring literary work within the general scope and spirit of the law is a question which has been left to judicial determination."[101] This contradiction became starker as copyright law entered a new era of international protection, starting with the conclusion of the Berne Convention in 1886. Under this international framework where the threshold of originality is now globally uniform,[102] a doctrine that subjects the author's rights to the uncertainty of moral demands and capriciousness of public policy seems to be out of place.

d. Public Policy Grounds as Extra-Statutory Conditions for Existence and Enforcement of Copyright in Contemporary UK Law

During the early decades of the twentieth century, the notion that public morality may serve as a substantive limit to copyright protection still found consistent support among judicial decisions.[103] In *Glyn v. Weston Feature Film Co.*,[104] a case decided under the Copyright Act of 1911, Justice Younger restated the extra-statutory condition of copyrightability: "it is clear that copyright cannot exist in a work of a tendency so grossly

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99 Saunders, *supra* note 25, at 435 (noting that the withholding of copyright from obscene works makes copyright protection contingent on some sorts of qualifying conditions).

100 DRONE, *supra* note 72, at 133 (citing Gee v. Pritchard, (1818) 2 Swans. 403, 426 (Ch.), in which Lord Eldon declined to make a distinction between private business letters and other letters of literary value).

101 *Id.* at 181 (noting that the first among the chief inquiries for determining the qualities essential to copyright is "whether the production is innocent, or is injurious to the public peace or morals); *see* GODSON, *supra* note 38, at 478-80.

102 *See* Ginsburg, *supra* note 14, at 277 (noting that while the Berne Convention does not articulate a standard of originality and may allow the possibility of national variation, the TRIPs Agreement has closed the gap by imposing a standard of "intellectual creation," in Article 10.2, that can be applied across copyrighted works).

103 For first twentieth-century English case involving the public policy ground, see Baschet v. London Illustrated Standard Co., [1900] 1 Ch. 73 (damages under the Fine Art Copyright Act of 1862, 25 & 26 Vict., c. 68, were denied to two French photographs deemed to be indecent).

104 Glyn v. Weston Feature Film Co., [1916] 1 Ch. 261.

immoral as this."[105] The work at issue in *Glyn* was a novel concerning a secret sexual relationship between a young Englishman and a foreign queen.[106] In Younger's view, the book had a morally-destructive tendency since it "advocates free love and justifies adultery where the marriage tie has become merely irksome."[107]

Glyn was a noteworthy case because it re-affirmed, under the UK's new copyright statute, the validity of Eldon's broad application of unclean hands in copyright disputes. By the time *Glyn* was decided, it had been clear that a copyright plaintiff is entitled to relief without — as Eldon had demanded — having to show the right to sell copies or to prove actual damages.[108] Thus *Glyn* became the case that established, in the modern sense, the notion that courts have inherent authority to deny protection to works which are contrary to the public morals.[109] Nevertheless, as the twentieth century progressed, a dismissal of copyright claims based on the works' immoral tendency became increasingly untenable.[110] In *Stephens v. Avery*, Sir Nicolas Browne-Wilkinson V-C approvingly cited *Glyn* although he opined that a rejection of copyright based on a description of immoral sexual conduct can only be made in accordance with a prevailing moral code on that issue — a near impossibility for the UK in 1988.[111] But this is not to say that unclean hands has become an obsolete doctrine. In *Attorney-General v. Guardian Newspapers, Ltd. (No. 2)*, the House of Lords applied the public policy ground in declaring that Peter Wright, the author of a non-fiction book entitled *Spycatcher*,[112] was not entitled to

105 *Id.* at 269.

106 *Id.* at 265-66.

107 *Id.* at 269.

108 Weatherby & Sons v. Int'l Horse Agency & Exch., [1910] 2 Ch. 297, 305.

109 LADDIE ET AL., *supra* note 76, at 740.

110 For over sixty years since *Glyn*, there was no reported authority involving denial of copyright based solely on a work's immoral tendency. In *Chaplin v. Frewin*, (1966) 1 Ch. 71, the Court of Appeal was of an opinion that the disputed book contained blasphemous passages and had no literary merit whatsoever, but did not conclude that there was no copyright in the books. Because of this, some commentators believe that the public policy ground as applied in modern copyright disputes is not as broad as the time when *Glyn* was decided. *See* LIONEL BENTLY & SHERMAN, INTELLECTUAL PROPERTY LAW 117 (2009).

111 Stephens v. Avery, [1988] 1 Ch. 449, 453 (Ch. D.).

112 Attorney General v. Guardian Newspapers, Ltd. (No. 2), [1990] 1 A.C. 109 (H.L). *Spycatcher* is a memoir written by a former British secret service agent, Peter Wright, who had served with MI5. The author went to live in Australia after retirement and sucessfully published his memoir there despite the British goverment's attemt to suppress it. After the book had been published in the United States, the British government dropped the idea of suppressing the book. The issue was whether the Crown was entitled to an account for profit, against serialization by *The Sunday Times*,

copyright protection in the United Kingdom. Lord Jauncey unambiguously stated that not all copyrightable expressions enjoyed the same protection in the British courts:

> The courts of the United Kingdom will not enforce copyright claims in relation to every original literary work. . . . The publication of Spycatcher was against the public interest and was in breach of the duty of confidence which Peter Wright owed to the Crown. His action reeked of turpitude. It is in these circumstances inconceivable that a United Kingdom court would afford to him or his publishers any protection in relation to any copyright which either of them may possess in the book.[113]

Guardian Newspapers is a remarkable case because it was the UK government who sought a gag order against news corporations, the publishers of the *Guardian* and the *Observer*, which did not own the copyright in *Spycatcher*, but nonetheless attempted to publish portions of it on fair dealing grounds.[114] The outcome of the case was widely perceived as a great triumph for the press as the five Law Lords unanimously declined the government's appeal for a blanket injunction preventing the British media from using any of the book's portions that might contain information from the security services.[115]

Despite its extensive discussion of the public policy ground, the *Spycatcher* decision did not sufficiently illuminate the legal consequence of the doctrine. The Lords appeared unwilling to declare outright that there was no copyright in a work created in a manner contrary to public policy. Some Law Lords, including Lord Brightman and Lord Griffiths, espoused the view that when a writer breaches a duty of confidentiality he owed to the Crown, copyright in the book should be vested in the Crown.[116] Lord Goff of Chieveley, on the other hand, commented that while allowing a criminal to benefit from selling his illegal anecdotes or treacherous tales may be offensive to some people, he doubted whether "the mere fact that

given the manner in which the book was written, and whether the British government was entitled to an injunction to suppress it.

113 *Id.* at 294 (per Jauncey, L.J.).

114 Philomena M. Dane, *The Spy Catcher Cases*, 50 OHIO ST. L.J. 405, 408 (1989).

115 Richard Norton-Taylor, *Press Wins Spycatcher Battle*, THE GUARDIAN (Oct. 14, 1988), http://www.theguardian.com/fromthearchive/story/0,12269,132631 9,00.html. Lord Brightman opined that: "[I]t would be particularly inappropriate to prohibit 'The Sunday Times' from serialising a book which every other newspaper proprietor in the land is at liberty to serialise or publish." *Guardian Newspapers*, [1990] 1 A.C. at 267.

116 *Guardian Newspapers*, [1990] 1 A.C. at 266, 276. Lord Griffiths swept aside the question of whether copyright exists in a work written under such a notorious circumstance by stating that: "If Peter Wright owns the copyright in Spycatcher, which I doubt, it seems to me extremely unlikely that any court in this country would uphold his claim to copyright [if anyone published it and kept profit to himself]." *Id.* at 275.

such activities are offensive provides of itself an appropriate basis for defining the scope of a confidant's civil obligations [and property rights] at common law."[117] Only Lord Keith shared Lord Jauncey's straightforward view that British courts shall not enforce a copyright claim in a work whose publication was deemed contrary to the public interest.[118] Interestingly, if the public policy ground merely shifted copyright ownership from Mr. Wright to the Crown, as some Law Lords claimed, an absurd situation would occur where the newspapers could rely on the fair dealing exception to publish excerpts from the book for profit.[119]

After the *Spycatcher* decision, the existence of the public policy ground doctrine in British copyright law appeared to be beyond dispute. With the enactment of the Copyright, Design and Patent Act of 1988, the British Parliament intervened by giving the public interest defense statutory status for the first time,[120] in effect codifying the House of Lords' *Spycatcher* decision. Despite such concerted efforts from both the judiciary and the legislative branches, an important question remained regarding the scope and nature of the public interest defense. In *Hyde Park Residence, Ltd. v. Yelland*,[121] the plaintiffs argued that section 171(3) of the 1988 Act merely empowers courts to take the public interest into account when deciding whether to grant equitable or interlocutory relief rather than to create a defense not described within the statute.[122] Justice Jacob in rejecting the plaintiff's reading of section 171(3), averred that there are two viable interpretations of the public policy defense in copyright.[123] The public policy defense, on one hand, may be merely restrictive of enforcement — a defense that serves to limit a plaintiff's copyright claims under a circumstance in which public policy favors dissemination.[124] However, Jacob also acknowledged a strong line of cases, which treated the defense as capable of denying copyright completely — i.e., preventive of enforcement — when public policy is against legal protec-

117 *Id.* at 289.

118 *Id.* at 262, 294.

119 Davies, *supra* note 69, at 7.

120 Sims, *Denial of Copyright*, *supra* note 8, at 341.

121 Hyde Park Residence, Ltd. v. Yelland, [1999] R.P.C. 655 (Ch.) (Hyde Park I). The issue in *Hyde Park* involved snap shots from a video tape which recorded the arrival and departure of Diana, the Princess of Wales, and Dodi Fayed at the Villa Windsor on the night of their tragic accident. The still photos were sold to the *Sun* newspaper who published them. The *Sun*'s publishers were subsequently sued for copyright infringement, but raised a defense based on the public interest doctrine.

122 *Id.* at 664.

123 *Id.* at 667, 668-69.

124 *Id.* at 667, 670.

tion.[125] Nevertheless, Justice Jacob implied that courts should allow an invocation of a complete defense on public interest grounds only when the court can be "reasonably certain that no right-thinking member of society would quarrel with the result."[126] He added that to allow such a defense in cases where there is no genuine public interest would be to involve the court in public controversies and to make the law uncertain.[127]

On appeal, Lord Justice Aldous rejected the lower court's endorsement of a less-than-total denial of copyright in scenarios where the interest of the public disclosure outweighs the copyright's holder's private interest.[128] He declared the public policy ground to be exclusively a court's preventive power, under its inherent jurisdiction, to refrain from enforcing an infringement action contrary to the policy of the law — and not an extra-statutory defense of general application like that of fair dealing.[129] Accordingly, Aldous maintained that it was in the courts' power to refuse to enforce copyright on broad public security grounds, including when the work is "immoral, scandalous or contrary to family life."[130] He also distinguished the public policy defense in copyright infringement cases from the equitable tort doctrine as applied in breach-of-confidence disputes — claiming the former to be based on "[the content] of the work in question" rather than surrounding circumstances between the parties.[131] The appellate decision in *Hyde Park II* has been cited by commentators to demonstrate that there is a clear consensus by the English courts acknowledging the existence of the public policy ground in that jurisdiction.[132] At the same time, however, *Hyde Park II*'s interpretation of Section 171(3) of the CDPA — that the public interest defense is a matter solely subject to a court's inherent jurisdiction — is regarded as a strong authority for denying the existence of a broader defense in which a defendant may assert that the public policy permits dissemination of the work without compensation.[133]

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125 *Id.*

126 *Id.* at 671.

127 *Id.*

128 Hyde Park Residence, Ltd. v. Yelland, [2001] Ch. 143 (C.A.) (Hyde Park II).

129 *Id.* at 161, 167.

130 *Id.* at 168.

131 *Id.*

132 *See, e.g.*, Sims, *Denial of Copyright*, *supra* note 1, at 192; Owen Morgan, *Copyright, the Public Interest and Content Restrictions*, 8 MEDIA & ARTS L. REV. 213 (2003), *available at* http://papers.ssrn.com/sol3/papers.cfm?abstract_id=473042.

133 SIMON STOKES, ART AND COPYRIGHT 153 (2012) (remarking that the rejection of a broader public policy defense in *Hyde Park* can make it difficult for a defendant to advance a defense based on implied license theory); Marco Pistis, *The European Convention on Human Rights: Copyright Implication*,

Unfortunately, the *Hyde Park* decisions did not put to rest the question concerning the scope of the public policy defense. Lord Justice Aldous suggested that — because the public policy doctrine belongs in the domain of courts' inherent jurisdiction — the exclusion of copyright can be justified on far broader public policy grounds than the scope of criminal obscenity under the British law.[134] Under the Obscenity Publication Act 1959 (OPA), it is a crime to distribute or circulate obscene works, which are likely to "deprave and corrupt" their readers and audiences.[135] Works that merely conjure shocking or disgusting feelings, however, were insufficient to constitute criminal obscenity under the OPA. In *Knuller v. Director of Public Prosecutions*,[136] the court held that "deprave and corruption" were ponderous terms which require the effect of the publication to go much further than a mere suggestion of immoral tendencies. Specifically, a work to be classified in the obscene category must seduce readers or viewers to be self-indulgent in immorality, and thus be capable of creating a destructive impact on the "fabric of society."[137]

The *Hyde Park* court's rejection of the doctrine expounded in *Avery* — that courts may withhold copyright protection, on account of the work's immoral tendency, only when there is a clear consensus pertaining to a moral conduct at issue[138] — means that the UK's copyright jurisprudence continues to entangle itself with the unpredictability of the civil obscenity standard. This standard is unfortunately based on the notion of "immoral tendency" created by Lord Eldon more than two-hundred years ago. It provides a stark contrast between the doctrine of "obscenity," which focuses on a work's palpable consequences on the society's moral fabric, and the protean concept of immorality, a test in which one can hardly hope for a reliable guideline.

B. The Adoption of Obscenity Defense in American Copyright Law

In the United States, the idea that courts should oversee the morality of publications or creative expressions gained considerable traction throughout the second half of the nineteenth century.[139] Lord Eldon's

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MONDAQ (June 4, 2006), http://www.mondaq.com/x/40204/EU+Law/The+European+Convention+on+Human+Rights+Copyright+Implications.

134 *Hyde Park II*, [2001] Ch. 161, 167.

135 Obscene Publication Act, 1959, 7 & 8 Eliz. 2, Ch.66, s.1(1) (Eng.) [hereinafter OPA 1959].

136 [1973] A.C. 435 (H.L.).

137 *Id.* at 491, 456-57.

138 Stephens v. Avery, [1988] 1 Ch. 449, 453 (Ch. D.).

139 Compared with British courts, American courts were noticeably less keen on using copyright to police libelous or seditious works. However, the idea of withholding protection against licentious works gained broad acceptance in the United States. Gibson, *supra* note 29.

doctrine of unclean hands was absorbed into American practice probably through the proliferation of English legal treatises and reports on equity decisions.[140] However, due to limited access to English legal treatises on equity theory in certain geographical areas, there has never been a uniform adoption of this doctrine in the United States. In the space below, we shall attempt to trace the development of the obscenity defense in American copyright jurisprudence and to demarcate its current contour.

1. The Gradual Rejection of the Public Morality Principle and the Adoption of the Criminal Obscenity Standard

Although American courts were indeed influenced by the general public-morality principle of the English public policy ground, American authorities were quick to caution against insensitive applications of that principle in copyright disputes. For example, in *Keene v. Kimball*,[141] the Supreme Judicial Court of Massachusetts held that: "[T]he particular application once made of this rule of common law, in conformity with the peculiar opinions, sentiments or prejudices of one generation of men, will not control its application in a state of society where different views prevail."[142] Justice Hoar's ruling in *Keene* provided an indication that the concern for public morality should be treated as relative to the society at the time of litigation, rather than absolute.[143] As a corollary to Hoar's, remark, *Keene* also suggested that an application of the public policy defense, on public morality grounds, could result in a copyrighted work being treated differently in different jurisdictions.

The court's ruling in *Keene* is also remarkable with respect to its treatment of the non-property rationale of unclean hands. Justice Hoar seemed to advise strongly against a faithful adoption of the contraband or non-property theory of Chief Justice Eyre that had pervaded English public policy doctrine.[144] The *Keene* case thus serves as authoritative evidence to the effect that the non-property doctrine — a theory that a person can have no property in obscene works — has never made its way into American copyright jurisprudence.[145]

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140 Alexander, *Evil Eulogy*, *supra* note 24, at 283.

141 16 Gray (82 Mass.) 545 (1860).

142 *Id.* at 549.

143 Phillips, *Copyright in Obscene Works*, *supra* note 63, at 146.

144 Justice Hoar suggested that if the fact of immorality presented itself before the court, all the court could do is to refrain from "[providing aid to] the claims of any party to the exclusive enjoyment or disposal of an immoral or licentious production." *Keene*, 16 Gray (82 Mass.) at 548-49.

145 *See* Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852, 861 (5th Cir. 1979) (noting that the contraband theory is a judicially-created doctrine that has not been adopted in the U.S.). However, because the doctrine of unclean hands is an amalgam of different theories and analogies — includ-

With regard to the scope of the unclean hands defense in copyright law, American treatise writers took a stance markedly different from the British authority.[146] George Tickner Curtis's *Treatise on the Law of Copyright*,[147] the first American treatise on the subject, criticized Eldon's temporary withholding of equitable relief when the work had exhibited an immoral tendency — opining that, under *Dr. Priestley's Case*, the question concerning the work's illegal tendency is only apposite when the relief being sought is monetary or profits, but irrelevant when a plaintiff asserts the right of exclusive control over the manuscript.[148] In addition, from 1846 onward, American treatises on equitable doctrines started to appear on the market. While these treatises acknowledged the historical extension of the unclean hands principle to include broader moral duties, they invariably agreed that courts should apply such an equitable doctrine only when the conduct of a plaintiff is related to the matter in the litigation.[149] That American authorities appeared to disfavor an immoral-tendency in-

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ing morality, fraud, and illegal property — that pervade almost every aspect of copyright law, it is probably incorrect to say that the non-property theory has entirely disappeared from American copyright law. One classic American legal encyclopedia of the early twentieth century offers an opposite view to the one held by the Fifth Circuit. *See* 13 CORPUS JURIS, *Copyright and Literary Property* § 12 (William Mack & William Benjamin Hale eds., 1917) [hereinafter CORPUS JURIS] (stating that: "Literary matter must be innocent in order to be the subject of property. No protection will be accorded by the courts to what is illegal, immoral, or against public policy. . . . Where plaintiff's work is itself a piracy, plaintiff does not come into court with clean hands, and equity will afford him no relief, although the infringement is clearly established."). The statement in *Corpus Juris* is supported by a well-known principle that a derivative work can be deprived of its independent protection if the "pre-existing material has been used unlawfully." 17 U.S.C. § 103(a) (2012); 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 3.06 (2013). The most pertinent authority on this point is *Pickett v. Prince*, 207 F.3d 402, 406 (7th Cir. 2000) (affirming the lower court's denial of protection to the plaintiff's guitar, the design of which is based on an unauthorized use of the defendant's copyrighted symbol).

146 Professor James Alexander asserts that the unclean hands doctrine in American copyright law owed its establishment to the authors of legal treatises on equity in the latter part of the nineteenth century, rather than to Eldon's jurisprudence. Alexander, *Evil Eulogy*, *supra* note 24, at 302.

147 GEORGE T. CURTIS, A TREATISE ON THE LAW OF COPYRIGHT (Boston, C.C. Little & J. Brown 1847).

148 *Id.* at 158-61.

149 *See, e.g.*, 1 GEORGE SPENCE, THE EQUITABLE JURISDICTION OF THE COURT OF CHANCERY 423 (Philadelphia, Lea & Blanchard 1846); CORPUS JURIS, *supra* note 145, § 390 (stating that, under the unclean hands doctrine, "[a]n immoral work will not be protected; but general immorality or illegal acts not affecting the particular right asserted in the suit is no defense.").

terpretation of unclean hands may perhaps be explained by the fear that courts may be tempted to act as the guardian of public morals or the censor of the press.[150] It is fair, therefore, to conclude that Lord Eldon's extension of unclean hands to a broad public-morals duty has not been well received in the United States.

The resistance against Eldon's immoral-tendency doctrine in the U.S. had a profound effect on American civil obscenity cases. During the closing decades of the nineteenth century, courts began to deviate from the logic of Eldon's precedent and realized that a court should not allow a defendant to raise an unclean hands defense unless there was "something immoral, pernicious or indecent in the things *per se*."[151] But a change started to take shape in the 1920s. In *Simonton v. Gordon*,[152] decided in 1925, a New York federal district court held that the question of whether the protection of copyrighted expression was to be denied, on grounds of immorality, should be judged "by the standards of current literature."[153] Judge Knox explained that — although the obscenity defense is rooted in sound principles of public policy — the present tendency clearly favored more latitude to free speech and thought than what formerly had been.[154] Accordingly, "the application [of the public policy ground] should be extended only to clear cases."[155]

The new direction prepared by the aforementioned cases was consolidated further in *Cain v. Universal Picture Co., Inc.*,[156] a case concerning a film called *When Tomorrow Comes*.[157] In addressing the defendant's obscenity defense, Judge Yankwich made a dictum that — for a determination of whether a work is indecent or immoral and not to be entitled to copyright — the court will adopt the test in cases arising under the postal statute denying mailing privileges to "obscene, lewd, lascivious, indecent,

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150 DRONE, *supra* note 72, at 181.

151 Richardson v. Miller, 20 F. Cas. 722, 723 (C.C.D. Mass. 1877) (No. 11,791) (rejecting the defendant's contention that the design upon the back of a pack of playing cards was not fit for copyright protection because the cards were capable of illegal or immoral uses). Some of these cases adopted the English criminal obscenity precedent, known as the Hicklin test, as a touch stone for administering obscenity defense claims. *See, e.g.*, Broder v. Zeno Mauvais Music Co., 88 F. 74 (C.C.N.D. Cal. 1898) (holding that the plaintiff's song's chorus line "She's the hottest thing you ever seen" was not protected by copyright because of its indelicate and vulgar meaning).

152 Simonton v. Gordon, 12 F.2d 116 (S.D.N.Y. 1925).

153 *Id.* at 124.

154 *Id.*

155 *Id.*

156 47 F. Supp. 1013 (S.D. Cal. 1942).

157 The basis for the defendant's obscenity defense was a single scene in which the protagonist and a Mexican girl engaged in "indecent and vulgar" acts before the church altar. *Id.* at 1018.

filthy or vile" publication.[158] From this point onward, the American jurisprudence of unclean hands, at least as applied to copyright infringement disputes, ceased to resemble the UK's public-policy ground doctrine.[159] The desire to develop a reliable rule for a coherent application of unclean hands allowed courts to move away from the inherently controversial nature of public morality.[160] Not only did this change enable courts to set a single legal standard complementary to that of criminal law, it also rendered possible many theoretical proposals in support of copyright protection in what used to be brushed off as indecent or malicious works.[161]

2. *The Constitutional or "Progress Clause" Theory*

Another theoretical basis for reading content-based policy into copyright law — independent of unclean hands — is the constitutional theory based on the Progress Clause of the United States Constitution. According to this theory, the congressional power to create a property right in

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158 *Id.* at 1018 (noting that, under 18 U.S.C. § 1461, the work must be considered as a whole and have a direct tendency to corrupt morals; mere vulgarity and coarseness of language will not remove its copyright protection).

159 Phillips, *Copyright in Obscene Works*, *supra* note 63, at 151 (noting that the adoption of a single guideline for both civil and criminal obscenity cases set America apart from the UK which is still based on the *Glyn* precedent).

160 Schneider, *supra* note 38, at 696 (observing that the decisions in *Richardson* (1877) and *Broder* (1898) reflected the courts conviction that the legal principle concerning immoral works was based on more than general moral principles).

161 New theories have been proposed in favor of an extension of protection to non-conventional works or even works created in violation of criminal laws. Many of these innovative theoretical frameworks go beyond the conventional concepts of economic incentive to include, among other things, concepts of personhood/personality, democracy and dissent, and economies of desire. *See, e.g.*, Jamison Davies, *Art Crimes?: Theoretical Perspectives on Copyright Protection for Illegally-Created Graffiti Art*, 65 MEL. L. REV. 27 (2012) (examining various theoretical justifications that militate for or against granting copyright to a work created in violation of the criminal law); Jenifer E. Rothman, *Liberating Copyright: Thinking Beyond Free Speech*, 95 CORNELL L. REV. 463 (2010) (proposing to liberate copyright and fair use principles from economic and utilitarian considerations); Rebecca Tushnet, *Economies of Desire: Fair Use and Market Place Assumptions*, 51 WM. & MARY L. REV. 513, 522-27 (2009) (exploring a variety of non-economic driving forces for the urge to create among authors and artists); Danwill Schwender, *Promotion of the Arts: An Argument for Limited Copyright Protection of Illegal Graffiti*, 55 J. COPYRIGHT SOC'Y 257 (2008) (arguing that copyright protection should extend to illegal graffiti in order to serve the Constitution's purpose of promoting the arts); Jed Rubenfield, *The Freedom of Imagination: Copyright's Constitutionality*, 112 YALE L.J. 1 (2002) (proposing an extension of First Amendment protection for art based on the concept of protection of imagination).

literary work is limited to writings that serve a utilitarian purpose of "promot[ing] the Progress of Science and Useful Arts."[162]

A classic case that illustrates this doctrine is *Martinetti v. Maguire*,[163] involving a play called either "Black Rook" or "Black Crook," but in which neither the plaintiff nor the defendant had a right to perform. Judge Deady, in denying injunctive relief to both the plaintiff and defendant, opined that the play was a "mere spectacle" unfit to be recognized as dramatic composition.[164] Judge Deady described the play's closing scene as "consist[ing] mainly of women lying about loose" and, in his judgment, "an exhibition of women 'lying about loose' . . . is not a dramatic composition."[165] The *Martinetti* case thus offered a possibility for courts to withhold relief under copyright law on account of a work's lack of redeeming value rather than relying on a judge's illusory moral intuition.

a. The Progress Clause Debate

The enduring legacy of *Martinetti* is due to Judge Deady's, announcement that "congress is not empowered by the Constitution to pass laws for the protection or benefit of authors and inventors, except as a means of promoting the progress of 'science and useful arts.'"[166] Veritably, there was a direct indication, at the time of *Martinetti*, that Congress took the Progress Clause seriously when enacting copyright legislation. The nineteenth century was a time of rapid expansion in copyright law, during which new subject matters were introduced for the first time.[167] The Copyright Act of 1856 created the public performance right and extended the new right only to dramatic compositions "designed or suited for public representation."[168] The *Martinetti* court, true to the nineteenth-century distrustful attitude toward visual arts, construed that language as prescribing a moral limitation on the content of a dramatic composition.[169] But Judge Deady's interpretation of the statute appeared rather arbitrary as modern scholarship suggests that copyright lawmakers in the nineteenth

162 U.S. CONST. art. I, § 8, cl. 8.
163 16 F. Cas. 920 (C.C. Cal. 1867) (No. 9173).
164 *Id.* at 922.
165 *Id.*
166 *Id.*
167 It is conceivable that, at the time when the 1856 statute was being enacted, Congress intended to introduce some sort of limitation into a new exclusive right as a safeguard against unrestrained exploitation. STEF VAN GOMPEL, FORMALITIES IN COPYRIGHT LAW: AN ANALYSIS OF THEIR HISTORY, RATIONALES AND POSSIBLE FUTURE 80-83 (2011) (discussing the UK lawmakers' reliance on formalities as a threshold condition for protection of new subject matters).
168 Act of August 18, 1856, ch. 169, 11 Stat. 138.
169 *Martinetti*, 16 F. Cas. at 922.

century were perhaps more preoccupied with the issue of registration.[170] Thus, the phrase "designed or suited for public representation" could just mean that the composition be made in a format suitable for depositing with the Copyright Office. In any case, Congress decided to drop the contentious language from the next revision of the Act,[171] a move generally perceived as a conscious attempt to limit judicial inventiveness in matters concerning copyrightability.[172]

Constitutional theory certainly constitutes one of the powerful extra-legislative sources through which courts may interfere with copyright's statutory scheme of protection.[173] The Progress Clause theory is essentially rooted in the prevalent utilitarian principle that permeates the entire Anglo-American copyright tradition. Perhaps for this reason, the Progress Clause has become a favorite theory for scholars who would not like to see unbiased or unrestrained protection being afforded to allegedly harmful expressions, such as crush or revenge pornography.[174] Another appeal of

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170 In nineteenth-century England, the expansion of copyright protection to painting, drawing and photography was invariably accompanied by registration requirements. *See, e.g.*, VAN GOMPEL, *supra* note 167, at 82-83. Thus, it might be possible to read the phrase "suited for public presentation" as a form of formality regulating the eligible format of protectable works rather than their content.

171 Act of July 8, 1870, ch. 230, 16 Stat. 198.

172 Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852, 855 (5th Cir. 1979) (citing legislative history of Copyright Act of 1909 and 1976 as a strong evidence regarding Congress' intention to continue the policy of avoiding content restrictions on copyrightability). In 1870, however, Congress again revised the copyright statutes and, among other revisions, put the qualifying phrase "intended to be perfected as works of the fine arts." Act of July 8, 1870, ch. 41 230, 16 Stat. 198. It has been observed that this term is even more suggestive of a content requirement than the phrase at issue in *Martinetti*. Ronald J. Green, *The Obscenity Defense to Copyright Revisited*, 69 KY. L.J. 161, 167 (1980). As it later transpired, the Supreme Court, in an opinion by Justice Holmes, declined to accept the argument that Congress intended to impose a content-based restriction on the copyright law. Bleistein v. Donaldson Litho. Co., 188 U.S. 239, 250 (1903) (stating that "[t]he antithesis to 'illustrations or works connected with the fine arts' is not works of little merit or humble degree, or illustrations addressed to the less educated classes."). Under *Bleistein*'s logic, something needs only be sufficiently original to be copyrightable and therefore useful under the Constitution.

173 Snow, *The Regressing Progress Clause*, *supra* note 97, at 53-61 (arguing that the Progress Clause contemplates judicial consideration of content).

174 *See, e.g.*, Ann Bartow, *Copyright Law and Pornography*, 91 OR. L. REV 1, 19-47 (2012) [hereinafter Bartow, *Copyright Law*] (criticizing copyright law as being pornography friendly and proposes a legislative amendment to exclude certain categories of harmful pornography from protection); Snow, *The Regressing Progress Clause*, *supra* note 97, at 57-61 (proposing that, by

the Progress Clause theory is due to its compatibility with the First Amendment, which extends little or no protection to speech that is completely devoid of any redeeming value.[175] It follows therefore that if obscenity is not within the area of constitutionally protected speech, as has indeed been the case since *Roth v. United States*,[176] there is no reason for content of such a repulsive nature to be qualified for copyright protection. Finally, some scholars suggest that taking away an economic incentive from certain works — either by precluding copyright enforcement in courts or by amending the Copyright Act to exclude them from the domain of copyrightable expression outright — would not amount to censorship of those expressions, within the First Amendment's meaning of the word.[177]

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virtue of the Progress Clause, courts can withhold copyright protection based on an absence of social value and the presence of social harm in an expression).

175 The First Amendment is known to have offered no protection to certain categories of speech, such as fighting words, incitement, libel, and obscenity. The traditional understanding of unclean hands also suggests that copyright law would likewise not extend protection to them. *See* 2 JOSEPH STORY, COMMENTARIES ON EQUITY ON EQUITY JURISPRUDENCE 603-04 (London, Stephens & Haynes 1884) (stating that "[i]n the first place, no copyright can exist consistently with principles of public policy, in any work of a clearly irreligious, immoral, libelous, or obscene description."). Another recent theory, which has been raised by Professor Edwin Baker is that the First Amendment consists of two components: the "Speech" and the "Press" clauses. Baker argues that while the Speech Clause protects a broad realm of individual "expressive liberty," the Press Clause protect a freedom that is not itself a direct human value, but only instrumental or contributive — for example by providing monetary incentives — to that value. Under this classification, Baker claims that there exists a commonality of aims between the Press Clause and copyright law (via Progress Clause), which allow the government to create media-specific regulation. C. Edwin Baker, *First Amendment Limits On Copyright*, 55 VAND. L. REV. 891, 897-99, 919-22 (2002).

176 354 U.S. 476 (1957).

177 Bartow, *Copyright Law*, *supra* note 174, at 49. However, a law seeking to limit a wrongdoer's compensation from a publication of an anecdote portraying one's experience or opinions regarding the crime is likely to be inconsistent with the First Amendment — in light of the Supreme Court's unanimous holding in the "Son of Sam" case, *Simon & Schuster, Inc. v. Members of the New York State Crime Victims Board*, 502 U.S. 105 (1991). In that case, the Court held that a state's interest in preventing wrongdoers from profiting from their crimes by writing a book about them bears little connection to "a compelling interest in compensating victims from the fruits of the crime." *Id.* at 120-21. The Court thus ruled that the New York's "Son of Sam" law was inconsistent with the First Amendment due to its significant over-inclusiveness, which threatened to "[reach] a wide range of literature that does not enable a criminal to profit for his crime while a victim remains uncompensated." *Id.* at 121-22. In other words, a form of market censorship —

Notwithstanding the arguments advanced by Progress-Clause theorists, it is precarious to equate the First Amendment's rejection of low-valued speech with the utilitarian perspective of the Progress Clause. To be sure, the First Amendment affords no protection to many types of commercial speech — such as corporate proxy statements, fraudulent misrepresentation, and false advertisements.[178] But copyright law touches directly and consistently on all types of commercial literature and productions.[179] Authors of many biographical films and books have been sued for their incorrect representation of the lives of individuals who constitute the subject matter of such works. Nevertheless, the mere fact of these works' strong commercial presence makes it hard to argue that they do not deserve any copyright protection. In addition, the theory that a particular work must singularly promote the progress of science has been rejected by major authorities' reading of the Progress Clause.[180] According to Professor Ned Snow, the chief reason for the deracination of the content-restricting objective from the Progress Clause can be attributable to a new trend of interpretation, which holds that the Progress Clause advocates advancement of *general knowledge*,[181] which was the original meaning of "science"

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such as a law restricting copyright enforcement in illegal or obscene works — that singles out a particular subject for a financial burden is unlikely to pass the First Amendment's strict scrutiny test.

178 Commercial speech, in general, can be said to have some level of the First Amendment protection. Edenfield v. Fane, 507 U.S. 761, 767 (1993) (stating that "the commercial marketplace, like other spheres of our social and cultural life, provides as forum where ideas and information flourish. Some of the ideas and information are vital, some of slight worth. But the general rule is that the speaker and the audience, not the government, assess the value of the information presented."). *See also* Cent. Hudson Gas & Elec. Corp. v. Pub. Serv. Comm'n of New York, 447 U.S. 557 (1980) (implying that a state may restrict false advertisement without raising any constitutional issue).

179 Neil W. Netanel, Copyright Paradox 171 (2008).

180 Eldred v. Ashcroft, 537 U.S. 186, 222 (2003) (holding that the "[Progress Clause] empowers Congress to determine the intellectual property regimes that, overall, in that body's judgment, will serve the ends of the Clause."). In *Golan v. Holder*, the Court further implied that re-granting copyright to works that had been fallen into the public domain for past reasons justifiably serves the purpose of the Progress Clause. 132 S. Ct. 873, 881, 884-89, 893 (2012) (holding that the Progress Clause permits Congress to fully comply with the Berne Convention after the TRIPs accord). Pursuant to this logic, if Congress should pass a law that re-vests copyright in works whose registration had been rejected by the Copyright Office in the past due to a stricter obscenity standard of the time, such a law would be perfectly constitutional under *Golan*.

181 Snow, *The Regressing Progress Clause*, *supra* note 97, at 134. According to Snow, the only evidence for this interpretation was an entry in the first English lexicon, *Dictionary of the English Language*, compiled by the learned

within the enlightenment milieu of the eighteenth century. The originalist's approach to the Progress Clause may be flawed,[182] but it can hardly be argued that equating the term "science" with general knowledge is congruent with the fundamental goal of modern copyright system.[183]

b. Revising the "Traditional Contours of Copyright Protection"

A recent development in copyright's First Amendment theory also reinforces copyright law's immunity against imposing content-based limitation on its scope. Starting in 1970, Professor Melville Nimmer and Professor Paul Goldstein separately published two seminal articles theorizing that, although copyright could certainly be used to restrict freedom of expression, there is no substantial conflict between copyright and the First Amendment as any tension between them can be resolved through what is generally termed the First-Amendment accommodation within the copyright system.[184] Professor Nimmer claimed that when there is a conflict between speech and non-speech interests — which can be found most clearly in obscenity and privacy cases — the Supreme Court typically resorted to a "definitional balancing" approach to reconcile those inter-

Dr. Samuel Johnson and published in 1755 and that was arguably the most influential English dictionary at the time of the Framing. Ned Snow, *The Meaning of Science in the Copyright Clause*, 2 B.Y.U. L. REV. 259, 282 (2013) [hereinafter Snow, *Meaning of Science*].

182 Snow, *Meaning of Science*, *supra* note 181, at 269 (claiming that a uniform originalist's interpretation of the copyright clause is questionable as it threaten to close the door to new interpretations, which may better reflect changing circumstances of society).

183 Courts and commentators seem to have reached a common agreement that the Progress Clause merely specifies the purpose of the copyright system as a whole and should not be read as prescribing a limitation on congressional power. *See, e.g.*, *Eldred*, 537 U.S. at 222 (holding that "[the Progress Clause] empowers Congress to determine the intellectual property regimes that, overall, in that body's judgment, will serve the ends of the Clause."); 1 NIMMER & NIMMER, *supra* note 145, § 1.03[A] (stating that "[the Progress Clause] must be read in the nature of the preamble, indicating the purpose of the power, but not in limitation of its exercise."); Green, *supra* note 172, at 174 (suggesting that "the theory that a particular work must singularly promote the progress of science to receive protection can no longer be maintained under the modern approach to constitutional law.").

184 Melville B. Nimmer, *Does Copyright Abridge the First Amendment Guarantee of Free Speech and Press?*, 17 UCLA L. REV. 1180 (1970) (proposing a method called "definitional balancing," which he described as a method for creating a rule that guides people who wish to speak and to shield court from the pressure that a society imposes on a particular speaker); Paul Goldstein, *Copyright and the First Amendment*, 70 COLUM. L. REV. 983 (1970) (exploring the conflict between copyright's enterprise monopoly and the First Amendment and proposing a robust free speech safeguard through the fair use doctrine).

ests.[185] Professor Nimmer then substantiated his central thesis by locating what he called a definitional balance of speech and non-speech interests in some of the most fundamental of copyright doctrines, namely the idea/expression dichotomy, the merger doctrine, and the fair use privilege.[186]

Does Nimmer's theory actually advance the free speech function within copyright law? For years, there have been claims that it does not. In the landmark *Eldred v. Ashcroft* decision,[187] the Supreme Court rejected seven-to-two a First Amendment challenge to the Sonny Bono Copyright Term Extension Act (CTEA) of 1998, holding that a heightened scrutiny is unnecessary when "Congress has not altered the traditional contours of copyright protection."[188] Copyright scholars and activists lamented that the Supreme Court took too much comfort in the theory that copyright law harbors a built-in free speech accommodation,[189] which apparently failed in the face of copyright's private censorship power. Professor Neil Netanel, for example, attacked the *Eldred* Court for "show[ing] remarkably little understanding of, or appreciation for the First Amendment values at stake in copyright's burdening of speech."[190] He also predicted that the *Eldred* Court's ruling could potentially close the door on further First Amendment challenges to traditional copyright.[191]

Professor Netanel's claim is certainly not without merit. In January 2012, the Supreme Court, in *Golan v. Holder*,[192] rejected once more a First Amendment challenge against Section 514 of the Uruguay Round Agreement Act (URAA),[193] which reestablished copyright protection in numerous foreign works that had previously fallen into the public domain in the United States.[194] The *Golan* Court methodically followed the principles laid down in *Eldred* and held that the passage of URAA's Section 514, like the CTEA in the past, did not disturb the traditional contours of

185 Nimmer, *supra* note 184, at 1184-85.

186 *Id.* at 1189-93 (identifying idea/expression dichotomy and merger doctrine as a "de facto definitional balance"). Professor Nimmer later extended that conclusion to the fair use privilege as a vital prophylactic for free speech. Neil W. Netanel, *First Amendment Constraints on Copyright After* Golan v. Holder, 60 UCLA L. REV. 1082, 1086 (2013).

187 *Eldred*, 537 U.S. 186.

188 *Id.* at 219.

189 The *Eldred* Court declared support for Professor Nimmer's view that "copyright law contains built-in First Amendment accommodations." *Id.* at 190.

190 NETANEL, *supra* note 179, at 172.

191 *Id.*

192 132 S. Ct. 873 (2012).

193 Uruguay Round Agreements Act, Pub. L. No. 103-465, § 514, 108 Stat. 4809, 4976-81 (1994) (codified as amended at 17 U.S.C. §§104A, 109 (2006)).

194 *Id.*

copyright protection.[195] This time, however, the *Golan* Court confidently identified the "traditional contours" of the copyright system, as referenced in *Eldred*, to be the copyright's "built-in First Amendment accommodation" as embodied in the dual doctrines of idea/expression dichotomy and the fair use defense.[196]

The holding in *Golan* appears, on the surface, to be rather unsympathetic to those who view an expansion of copyright as a threat to their First-Amendment privileges. Nevertheless, the *Golan* Court appeared to firmly espouse Professor Nimmer's definitional-balance approach when a First Amendment challenge is asserted in the context of a legislative modification of copyright law.[197] For some, *Golan* heralded an opportune moment to usher a stronger agenda to reconcile copyright's non-speech interests with its role as an engine of free expression. Professor Netanel, for instance, proposes that *Golan* leaves courts and Congress with little room for interfering with the now identified traditional contours of copyright protection — the fair use defense and the fundamental doctrine that copyright protects expression, but not ideas.[198] He argues that courts overseeing copyright infringement cases must now provide breathing space for the dissemination of ideas and information, just as other private claims of defamation, privacy, intentional infliction of emotional distress, and others, had been modified by the First Amendment.[199] But there has been no suggestion that copyright's traditional contours should be limited to the two elements just mentioned.[200] To be sure, it is not too farfetched to argue that the content-neutrality aspect of copyright law is also one of the traditional contours of copyright protection with which Congress and

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195 *Golan*, 132 S. Ct. at 890 (stating that "we concluded in *Eldred* that there was no call for the heightened review petitioners sought in that case. We reach the same conclusion here.").

196 *Id.* at 889-91.

197 The *Golan* Court averred that *Eldred* clearly "recogniz[ed] that some restriction on expression is the inherent and intended effect of every grant of copyright," but also that the copyright system has a built-in free speech accommodation in the dual doctrine of idea/expression dichotomy and the fair use defense. *Golan*, 132 S. Ct. at 889-90. *See* Netanel, *supra* note 186, at 1101 (noting that: "*Golan* appears to firmly embrace the definitional balancing approach.").

198 Netanel, *supra* note 186, at 1086, 1102 (positing that a Copyright Act amendment should be struck down as failing to pass the First Amendment muster is it were to disturb the idea/expression dichotomy and fair use defense in any way).

199 *Id.* at 1106-13.

200 *See, e.g.*, Brett Hartman, *The Copyright Clause, the First Amendment, and the Structure of the Constitution*, 52 IDEA 167, 193-95 (2012) (noting that the *Golan* ruling is hardly conclusive regarding what constitutes the traditional contours of copyright protection).

courts may not interfere. In short, the twin rulings of *Eldred* and *Golan* — together with Professor Nimmer's definitional balancing approach and the current interpretation of Progress Clause — can conceivably be read to prevent Congress from amending the Copyright Act to exclude certain types of troglodytic expression from protection.

3. *Unclean Hands Defense in Contemporary U.S. Copyright Law: A Pragmatic Approach*

Since the merger of the civil obscenity and criminal standards, American courts have gradually withdrawn their approval of Britain's way of applying the doctrine of unclean hands in copyright infringement cases. In *Belcher v. Tarbox*,[201] the Court of Appeals for the Ninth Circuit declined to apply the unclean hands doctrine to deny copyright protection to fraudulent materials.[202] Judge Schnacke declared that the Copyright Act of 1909 was a content-neutral instrument that did not invite courts to pass qualitative judgment on the content of a copyrighted work — a task which, in the court's eyes, involved questions of infinite difficulty.[203] The *Belcher* court, thus, implicitly suggested that courts should not venture onto the slippery slope of the public policy ground and try to establish a nexus between the work's content and the public interest — with no reliable guidance other than the unclean hands doctrine.

The most important decision in this area of the law came in 1979 when the Court of Appeals for the Fifth Circuit handed down a judgment in *Mitchell Brothers Film Group v. Cinema Adult Theater*.[204] In *Mitchell Brothers*, the defendant obtained unauthorized copies of the Plaintiff's properly-registered movie called *Behind the Green Door* and exhibited the film in public.[205] Judge Godbold, writing for the Fifth Circuit, found that the district court erred in permitting the assertion of obscenity as an affirmative defense to the claim of infringement.[206] The *Mitchell Brothers* court did not stop there, however, and went further to assert that the Cop-

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201 486 F.2d 1087 (9th Cir. 1973). In *Belcher*, the defendant reprinted without authorization the plaintiff's formulation of handicap systems for betting on horse races. The defendant argued that the plaintiff's formulation constituted a fraud since it was not developed by professional mathematicians as the plaintiff had advertised. *Id.*

202 *Id.* at 1088.

203 *Id.*

204 604 F.2d 852 (5th Cir. 1979).

205 *Id.* at 854.

206 *Id.*

yright Act is indeed a content-neutral statute and there cannot be an affirmative defense based on the nature of a work's content.[207]

The Fifth Circuit's most distinctive approach in *Mitchell Brothers* was the depth of its analysis on the extra-statutory limitation on copyrightability in all of its forms. Before *Mitchell Brothers*, courts tended to take for granted that an obscenity defense could be sustained by any of the theories previously discussed in this article.[208] Judge Godbold, aware of the considerable liberty in how courts may withhold copyright protection on account of a works' content, held: "obscenity is not an appropriate defense in an infringement action, whether piggybacked on the unclean hands rubric or introduced in some other manner."[209] The *Mitchell Brothers* court strengthened its analysis leading to this conclusion by comprehensively dissecting the obscenity defense in its historical, theoretical and constitutional aspects.

Regarding the historical aspect, the court observed that Congress's legislative efforts in copyright matters, since 1870, showed a conscious evolution toward the content-neutral character of the U.S. copyright law.[210] This evidence, according to Godbold, demonstrated a congressional determination that the goal of the copyright system is best served by trusting the public taste to reward creators of useful works as a measure of a work's worth rather than in the judgment of public officials.[211] Next, the court tackled the constitutional theory of the obscenity defense and — while admitting that there were conflicting views among lower courts and commentators — concluded that the Progress Clause *did not* oblige Congress to require that each copyrighted work be shown to promote the use-

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207 *Id.* at 858 (noting that the existence of laws and measures prohibiting obscene material does not indicate that Congress intends obscene material to be uncopyrightable).

208 Green, *supra* note 172, at 161 (noting that, before *Mitchell Brothers*, courts and commentator have generally presumed without sufficient analysis that obscene and immoral works are beyond the purview of copyright protection).

209 *Mitchell Bros.*, 604 F.2d at 863.

210 *Id.* at 855.

211 *Id.* at 856. The legislative history of the 1976 Act also supports this conclusion; the Judiciary Committee clarified that:

> The phrase "original works of authorship" which is purposely left undefined, is intended to incorporate without change the standard of originality established by the courts under the present copyright statute. This standard does not include requirements of novelty, ingenuity, or esthetic merit, and there is no intention to enlarge the standard of copyright protection to require them.

H.R. REP. NO. 94-1476, at 51 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5664.

ful arts.[212] Finally, the court examined various theories, which had been relied on by Anglo-American courts since Lord Eldon's time to withhold aid to a plaintiff when a work's content had a tendency to injure the public. The public morality and the property theories were brushed aside as vestiges of a by-gone era.[213] Judge Godbold having found that Congress preferred a work's acceptability to be judged by the public, deemed it to be unthinkable for courts to freely interpose their moral views between an author and a willing audience.[214]

Following its thorough analysis of unclean hands, the Fifth Circuit announced a return to the classical formulation of unclean hands by declaring that the doctrine "is not applied where plaintiff's misconduct is not directly related to the merits of the controversy between the parties."[215] The Fifth Circuit gave two justifications for its rejection of a long-standing application of unclean hands based on general public harm. First, the court noted that it was untenable to ascribe an asserted public injury to the mere act of filming a pornographic movie absent a judicial determination that the film's content was in fact obscene.[216] In addition, Judge Godbold maintained that the public injury rationale must be limited to prevent undesirable and unintended consequences.[217] The unqualified application of public injury doctrine, the Fifth Circuit averred, would undermine the goals of the copyright system,[218] induce different treatments of copyrighted works from one locality to another,[219] and require public officials to make judgments on an unmanageable array of issues, which had been

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212 *Mitchell Bros.*, 604 F.2d at 860 (finding instead that the Progress Clause empowers Congress to promote science and useful arts generally through appropriate measures). A leading copyright treatise also maintains that the Progress Clause suggests nothing more than that recognizing private property rights in literary property is important to progress. 1 NIMMER & NIMMER, *supra* note 145, § 1.03[A] ("[T]here is nothing to indicate that the Framers in recognizing copyright intended any higher standard of creation in terms of serving the public interest than that required for other forms of personal property.").

213 *Mitchell Bros.*, 604 F.2d at 861.

214 *Id.*

215 *Id.* at 863 (citation omitted). The Fifth Circuit further held that: "[T]here it is clear that plaintiff's alleged wrongful conduct has not changed the equitable relationship between the defendants in any way." *Id.*

216 *Id.* at 863 & n.24 (noting that public injury doctrine cannot be invoked by the mere fact that the infringed work is pornographic, and the case must necessary be remanded for further determination regarding the obscenity of the work's content).

217 *Id.* at 864 (stating that "[i]t is immediately apparent that limiting copyright protection on a broad public injury rationale would lead to absurd and unacceptable results.").

218 *Id.* at 856.

219 *Id.* at 858.

warned against by the *Belcher* court.[220] In short, the *Mitchell Brothers* court simply refused to honor a doctrine that was wrongly developed from the start and had long outlived its usefulness.[221]

The *Mitchell Brothers* court's disavowal of the obscenity defense in copyright law was subsequently adopted by the Ninth Circuit and has become the law in that circuit for the past thirty years. In *Jartech v. Clancy*,[222] the Court of Appeal of the Ninth Circuit approvingly cited *Mitchell Brothers* to declare the Copyright Act of 1976 as content-neutral legislation,[223] and rejected the defendant's obscenity defense. Unlike previous civil obscenity cases, all of the plaintiff's contested motion pictures in *Jartech* were found to be obscene by the jury.[224] Judge Muecke, however, opined that obscenity verdicts were inapposite since the obscenity test laid down by the Supreme Court in *Miller v. California*[225] prescribes a community standard, "which may vary to the extent that controls thereof may be dropped by a state altogether."[226]

In 2009, the Ninth Circuit revisited the unclean hands doctrine once more in *Dream Games of Arizona, Inc. v. PC Onsite*.[227] *Dream Games* concerned the issue of whether illegal operation of an otherwise copyrightable work deprives the work of its protection. The court answered in the negative, finding that the plaintiff was entitled to statutory damages despite the evidence that its electronic video bingo game, *Fast Action Bingo*, was operated illegally in two states.[228] The Ninth Circuit, in *Dream*

220 *Id.* at 863 (citation omitted).

221 Green, *supra* note 172, at 176-77 (observing that the *Mitchell Brothers* court simply exercised its inherent power to discontinue a common law rule when its logical support had eroded and its usefulness was replaced by a more urgent necessity).

222 666 F.2d 403 (9th Cir. 1982).

223 *Id.* at 406 (noting that "any time a content-based statute had been passed by Congress, it has shortly thereafter been replaced with a content-free law.").

224 *Id.* at 405.

225 413 U.S. 15 (1973). The Supreme Court in *Miller* devised a tripartite test for identifying whether an expression is obscene: (1) whether the average person applying contemporary community standards would find the work, taken as a whole, appeals to the prurient interest; (2) whether the work depicts or describes, in a patently offensive way, sexual conduct specifically defined by the applicable law; and (3) whether the work, taken as a whole, lacks serious literary, artistic, political, or scientific value. *Id.* at 24. In 1987, the Supreme Court clarified that the "contemporary community standards" is apposite only as a reference to the first and second prongs, while the third prong is determined by an objective "reasonable person" standard. Pope v. Illinois, 481 U.S. 497, 500-01 (1987).

226 *Jartech*, 666 F.2d at 406 (citation omitted).

227 561 F.3d 983 (9th Cir. 2009).

228 *Id.* at 996 (holding that the district court did not err in excluding evidence of an illegal operation of the copyrighted work from the jury's consideration).

Games, restated its approval of the *Mitchell Brothers* principle and extended it to works that are capable of illegal use in geographically-limited areas.[229] What about works whose operation is deemed illegal in most or even all jurisdictions? *Dream Games* suggests that the same conclusion must also be applied.[230] The Ninth Circuit's view on this point comports with Professor Nimmer's observation that facts *extraneous* to the work itself cannot be regarded as sufficient to constitute a defense to copyright infringement.[231] Furthermore, the *Dream Games* court deemed it proper to exclude evidence of alleged illegal uses from the jury when calculating damages especially when the illegality claimed has no connection with the injury suffered by the infringer.[232]

The principle of *Mitchell Brothers* and *Jartech* has been accepted outside of the Fifth and Ninth Circuits as the prevailing view on the issue. The Seventh Circuit, in *Flava Works, Inc. v. Gunter*,[233] expressed some comfort with the idea that obscene cinematographic works deserve copyright protection.[234] Judge Posner also agreed with *Jartech* that, under current constitutional view, obscenity controls vary from one local community to another to the point where they can no longer muster enough legal justification to defeat copyright protection.[235] Shortly after, in *Malibu Media, LLC v. John Does 1-6*,[236] the Northern District of Illinois followed *Flava Works* to reject the defendant's attempt to quash a subpoena based on obscenity defense doctrine, opining that "the legal landscape on the issue of whether obscene films are copyrightable has changed."[237] Only district courts within the Second Circuit offered some resistance to this evolving legal trend. For instance, in *Devil Films, Inc. v. Nectar Video*,[238] New York's Southern District refused to exercise its equitable powers to issue an interlocutory injunction restraining the reproduction of pirated copies of the plaintiff's pornographic materials, deeming it against public

229 *Id.* at 991.

230 The *Dream Games* court reasoned that: "If [pursuant to *Mitchell Brothers*] work that contains illegal content is copyrightable, then a work that contains legal content, but which may be used for illegal purposed is surely copyrightable." *Id.*

231 1 NIMMER & NIMMER, *supra* note 145, § 2.17.

232 *Dream Games*, 561 F.3d at 992 (holding that "an award of either type of damages available under the Copyright Act — actual or statutory — is not precluded by evidence of illegal operation of the copyrighted work, at least where the illegality did not injure the infringer.").

233 689 F.3d 754 (7th Cir. 2012).

234 *Id.* at 755 (accepting as a prevailing view the notion that even illegality is not a bar to copyrightability).

235 *Id.* at 755.

236 Malibu Media, LLC v. John Does 1-6, 291 F.R.D. 191 (N.D. Ill. 2013).

237 *Id.* at 198.

238 29 F. Supp. 2d 174 (S.D.N.Y. 1998).

policy to commit the country's public resources to support the operation of plaintiff's pornography business.[239] The district court judge emphasized that while the court may not discriminate in the exercise of its equitable power, the plaintiff's operation was "clearly illegal" in light of federal statutes on transferring and selling obscene matter.[240] To date, *Devil Films*'s alternative view regarding the obscenity defense's validity has seen no clear support from relevant authority and was contradicted even within the same district.[241] In *Nova Products, Inc. v. Kisma Video, Inc.*, Judge Baer reviewed *Devil Films* and observed that Judge Martin's private assessment of the works' obscene nature was questionable, given it is a question the should "be left to a jury, particularly since other courts in this District have found that other 'hard-core' pornographic [media] were 'not patently offensive under contemporary community standards.'"[242]

In summary, it appears beyond dispute that American copyright jurisprudence has, to a large degree, done away with both the obscenity defense and the unclean hands doctrine in general. At least three circuits have embraced the view that U.S. copyright law has a well-manifested content-neutral character, and that neither obscenity nor illegality constitutes a defense against infringement claims. The *Mitchell Brothers* analysis is one of the most thorough analyses of obscenity defense in all of Anglo-American copyright jurisprudence. It signaled the final departure from Lord Eldon's application of unclean hands in copyright infringement cases. The line of case law since *Mitchell Brothers* blazed a new trail for American copyright law by putting an end to the obscenity defense. It was probably no coincidence that *Mitchell Brothers* was decided in the same decade as the Supreme Court decision in *Miller v. California*[243] — under whose standard even an obscenity verdict in one jurisdiction no longer holds a significant weight as to the question of whether a work, found to be obscene, should be denied copyright protection. Indeed, the triumph of

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239 *Id.* at 176 (holding that the strong public policy against the distribution of obscene material compels the conclusion that the court should not exercise its equitable powers to benefit the plaintiff).

240 *Id.* at 175 (citing 18 U.S.C. § 1866, and stating that the First Amendment does not protect obscene material).

241 *See* Nova Prods., Inc. v. Kisma Video, Inc., 2004 WL 2754685, at *3 (S.D.N.Y. Dec. 1, 2004) (agreeing with *Mitchell* and *Jartech* courts and stating that obscenity does not provide defense to copyright infringement of pornography). However, because of *Devil Films*'s contradictory view, some courts have relied on it as the evidence of the remaining uncertainty on this issue. *See, e.g.*, Liberty Media Holdings, LLC v. Swarm Sharing Hash File and Does 1-38, 821 F. Supp. 2d 444, 447 & n.2 (D. Mass. 2011) (noting that it remained "unsettled in many circuits, whether pornography is in fact entitled to protection against copyright infringement.").

242 *Nova Prods.*, 2004 WL 2754685, at *3.

243 413 U.S. 15 (1973).

Mitchell Brothers's pragmatism over the logic of unclean hands is partly due to the vast geographical boundaries of the United States,[244] which understandably deters courts from withholding copyright in works whose content can be legally disseminated in other jurisdictions.[245] This approach allows courts to adopt the best contemporary policies concerning copyright protection of questionable content when the benefits of content-neutrality outweigh the ambiguity of immorality and obscenity.[246]

III. PUBLIC POLICY GROUNDS AFTER MITCHELL BROTHERS*: AN INTERNATIONAL PERSPECTIVE*

Outside the United States, the public policy ground has been applied in one form or another, and in varying degrees, to reject the existence of copyright or a copyright owner's ability to put an end to the piracy of his or her works. There are other aspects of judicial determinations that can be affected by even a limited applicability of the unclean hands doctrine. For example, what would be the consequence when a court only partially rejects the unclean hands doctrine? Would a plaintiff be able to collect full damages from a willful infringer if his work is considered illegal under the country's criminal statute? Would a strong rejection of unclean hands as an affirmative defense deprive defendants, as well as the courts, of a legal arsenal for combating extraordinary instances of copyright misuse? Furthermore, among countries where broad and unreliable criminal ob-

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244 California is often cited as one of the jurisdictions where hard-core pornography is protected by copyright. In 1989, the California Supreme Court held that the California pandering statute was not intended to cover the hiring of actors who would be engaging in sexually explicit but non-obscene performances. *See, e.g.*, California v. Freeman, 250 Cal. Rptr. 598 (Cal. Ct. App. 1988). This decision has profoundly turned the tide in favor of hardcore pornography as many state governments adopted California's approach following the U.S. Supreme Court's refusal to review the California court's ruling. Bartow, *Copyright Law*, *supra* note 174, at 17-18.

245 As *Jartech* cautioned: "[a]cceptance of an obscenity defense would fragment copyright enforcement, protecting registered materials in a certain community, while, in effect, authorizing pirating in another locale." Jartech v. Clancy, 666 F.2d 403, 406 (9th Cir. 1982); Malibu Media, LLC v. John Does 1-6, 291 F.R.D. 191, 198 (N.D. Ill. 2013) (quoting *Jartech*).

246 For a discussion of benefits of a content-neutral copyright legislation, see Sims, *Denial of Copyright*, *supra* note 1, at 194-97 (identifying these advantages as including avoiding the stifling of creativity, discouraging courts from engaging in questions they are not readily equipped to handle, and to disentangle courts from a protean concept of morality); Eldar Haber, Wrong Copyright?: The Copyrightability of Illegal Works 29-32 (Feb. 2014) (unpublished manuscript), *available at* http://www.cardozo.yu.edu/sites/default/files/Eldar%20Haber,%20Wrong%20Copyright.pdf (identifying the benefits of a content-neutral copyright system discussed by the Fifth Circuit in the *Mitchell Brothers* decision).

scenity standards render a large amount of works illegal for distribution or display, what would be the courts' best option in reconciling public policy concerns with the integrity of the country's copyright system? In this section, we will explore various approaches adopted by different countries with respect to copyright protection in immoral and illegal works.

A. No Public Policy Defense Excepts in Per Se Illegal Works and Copyright Misuse Cases

In the previous section, we saw a shift in attitude, among the American appellate courts, toward a more liberal view of copyright protection. The Fifth and Ninth Circuits — pursuant to the *Mitchell Brothers*, *Jartech*, and *Dream Games* opinions — have declared, not just the obscenity defense, but also the unclean hands doctrine in general to be insufficient to constitute a valid defense in infringement cases. Both circuits also concurred that a work's illegality, even if not contested by the parties, would not prevent the plaintiff from seeking a monetary remedy in full.[247] But despite such a strong position, the *Mitchell Brothers*, *Jartech* and *Dream Games* opinions do not categorically exclude illegality from potentially being an exception to copyright protection. In *Mitchell Brothers*, Judge Godbold observed at the end of the opinion that, in exceptional cases, "a misuse of the copyright statute that in some way subverts the purpose of the statute the promotion of originality might constitute a bar to judicial relief."[248] Moreover, the Nimmer treatise merely proposes that the fact of illegality extraneous to the work itself is insufficient to support an unclean hands defense,[249] thus leaving open a possibility for circumscribing protection where the illegality is inherent in the work itself.[250] Pursuant to these reservations, it seems plausible to contemplate at least two scenarios in which the court may decline to enforce a plaintiff's copyright.

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247 Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852, 865 (5th Cir. 1979) (holding that "[t]he doctrine of unclean hands is equitable in nature and would seemingly not bar recovery of damages for copyright infringement."); Dream Games of Arizona v. P.C. Onsite, 561 F.3d 983, 992 (9th Cir. 2009) (holding that "an award of either type of damages available under the Copyright Act — actual or statutory — is not precluded by evidence of illegal operation of the copyrighted work, at least where the illegality did not injure the infringer.").

248 *Mitchell Bros.*, 604 F.2d at 865.

249 1 NIMMER & NIMMER, *supra* note 145, § 2.17.

250 4 *id.* § 13.09[B] (stating that "defense of unclean hands should be denied when the plaintiff's transgression is of an extraneous, immaterial, or inconsequential nature.").

1. No Protection for Per Se Illegal Works

The first, and a rather more obvious, type of scenario is when a work itself is so malicious that its mere possession constitutes an offense punishable by law, a court can rightfully foreclose a plaintiff's ability to seek remedial damages. In the United States, where private possession of obscene materials cannot be criminalized,[251] this premise suggests that judicial interference with copyright protection on a moral basis alone may be entirely inappropriate. Indeed, following the Supreme Court's ruling in *Lawrence v. Texas*,[252] it has become increasingly questionable as to whether a State could still outlaw distribution of obscene articles, justified only with moral disapproval, without contradicting *Lawrence*.[253] More importantly, the fact that such work falls into the obscene category in

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[251] *See* Stanley v. Georgia, 394 U.S. 557, 568 (1969) (holding that the First and Fourteenth Amendments prohibit making mere private possession of obscene material a crime). However, Congress can criminalize an act of distributing obscene material. *See* United States v. Reidel, 402 U.S. 351 (1971).

[252] In 2003, the Supreme Court of the United States invalidated a Texas statute that criminalized consensual sodomy between same-sex couples, holding that "branding one class of person as criminal based solely on the State's disapproval of that class and the conduct associated with that class" violated the Equal Protection Clause of the Constitution. Lawrence v. Texas, 539 U.S. 558, 585 (2003). In the aftermath of *Lawrence*, federal courts remain divided as to whether *Lawrence* precludes criminal legislation based solely on moral disapproval. For example, in 2007, the Eleventh Circuit held that Alabama's law criminalizing sex toys and masturbation devices was constitutional under *Lawrence*, reasoning that "public morality [satisfies] as a rational basis for legislation even after *Lawrence*." Williams v. Morgan, 478 F.3d 1316, 1323 (11th Cir. 2007). The Fifth Circuit, however, reached the opposite result with a Texas statute that criminalized acts concerning distributing and advertising "device designed or marketed for sexual stimulation," holding that the statute's primary justification in discouraging prurient interest could not withstand a rational basis review after *Lawrence*. Reliable Consultants, Inc v. Earle, 517 F. 3d 738, 745 (5th Cir. 2008) (stating that: "the fact that the governing majority in a state has traditionally viewed a particular practice as immoral is not a sufficient reason for upholding a law prohibiting the practice."). A recent study argued that the Fifth Circuit in *Reliable Consultants* was a clearly better judgment between the two, since *Reliable Consultants* recognized that a primarily moral justification cannot impinge upon liberty and privacy interest guaranteed by the Due Process Clause of the Constitution. *See* Manuel Possolo, *Morals Legislation After Lawrence: Can States Criminalize the Sale of Sexual Devices?*, 65 STAN. L. REV. 565, 587-89 (2013).

[253] In *Lawrence*, Justice Scalia, in his dissent, warned the Court that disqualifying "the promotion of majoritarian sexual morality" from being a legitimate state interest would decree "the end of all moral legislation." *Lawrence*, 539 U.S. at 599 (Scalia, J., dissenting).

some jurisdictions, and is therefore prohibited from being circulated or transmitted within some geographical areas, should not be enough to constitute a ground for remedial rejection.[254] This approach comports with the current position of the Copyright Office as expressed in the *Compendium of U.S. Copyright Office Practices*:[255] "As a general rule, a registration specialist will not examine a work to determine whether it contains material that might be considered obscene."[256]

The modified term "ordinarily" was added in 1991 to clarify the Office's position regarding child pornography shortly after the Supreme Court held, in *Osborne v. Ohio* (1990),[257]that the government may criminalize mere possession of a pornographic depiction of children engaging in sexually explicit conduct. William Patry, an influential copyright scholar, examined the history of how the Copyright Office has dealt with obscene works and advised that the Office's role in this regard "should be limited to those whose content is *per se* unlawful, principally child pornography."[258] Under the contemporary American approach, therefore, it is highly conceivable that works whose illegality is only tangibly related to

254 *See* Jartech v. Clancy, 666 F.2d 403, 406 (9th Cir. 1982) (holding that the constitutional obscenity test under *Miller v. California* prescribes a community standard "which may vary to the extent that controls thereof may be dropped by a state altogether."); Flava Works, Inc. v. Gunter, 689 F.3d 754, 755 (7th Cir. 2012) (quoting *Jartech*). *See also* 2 WILLIAM PATRY, PATRY ON COPYRIGHT § 3.44 (2013) (observing that even for works that was previously established as obscene within a given community, "the federal nature of the right may, in the end, be a more important consideration").

255 Section 408(c)(1) of the Copyright Act authorizes the Register of Copyrights "to specify by regulation the administrative classes into which works are to be placed for purposes of deposit and registration." 17 U.S.C. § 408(c)(1) (2012). However, the same provision further specifies that "[t]his administrative classification of works has no significance with respect to the subject matter of copyright or the exclusive rights provided by this title." *Id.*

256 UNITED STATES COPYRIGHT OFFICE, COMPENDIUM OF COPYRIGHT OFFICE PRACTICES, THIRD EDITION § 315 (2014), *available at* http://copyright.gov/comp3/docs/compendium-full.pdf.

257 Osborne v. Ohio, 495 U.S. 103 (1990).

258 2 PATRY, *supra* 254, § 3.44 (reviewing the Copyright Office view on immoral or obscene works).

some aspect of its creation — illegal graffiti for instance[259] — will be eligible for registration with the Copyright Office.[260]

Today, all actions involving creation, possession, and distribution of child pornography are harshly punished under U.S. criminal law. The Department of Justice regards child pornography as a form of child sexual exploitation,[261] and the Supreme Court has confirmed that criminalizing mere possession of this type of contraband advances the government's important interest in drying up both the supply of child pornography and the demand for real children in its production.[262] Unlike hardcore pornography, where the producer's liability differs from one locality to another, child pornography is considered indisputably "illegal throughout the Nation,"[263] and its continuing existence exacerbates harms done to the minors regardless of changing social mores. Moreover, a 2008 amendment to the U.S. criminal statutes augmented the existing offense with a prohibi-

259 Illegal graffiti, usually associated with vandalism, can have an amazing amount of financial value. In May 2012, a large graffiti created by a secretive artist, Banksy ("Banksy mural") was surreptitiously ripped from the wall in Wood Green, North London, and then reappeared six months later at an auction house in Florida. The residents of Wood Green campaigned to retrieve what they regarded as a neighborhood asset, but to no avail since Fine Arts Auction Miami rejected the claim of theft. In December 2013, five pieces of Banksy murals, retrieved from different locations were able to fetch $421,250 at auction. Mike Boehm, *Banksy Mural from L.A. Gas Station Sells for $209,000 at Auction*, Los Angeles Times (Dec. 6, 2013), http://articles.latimes.com/2013/dec/06/entertainment/la-et-cm-banksy-auction-flower-girl-20131206.

260 In 2003, an Illinois federal district court held that copyright registration for graffiti art is needed for ensuring that the work's manner of creation is not illegal. Villa v. Pearson Educ., Inc., No. 03 C 3717, 2003 WL 22922178, at *3 (N.D. Ill. Dec. 9, 2003). However, *Villa* did not reject copyright protection in graffiti, but only deferred judgment to the Copyright Office. *See, e.g.*, John Eric Seay, *You Look Complicated Today: Representing an Illegal Graffiti Artist in a Copyright Infringement Case Against a Major International Retailer*, 20 J. Intell. Prop. L. 75, 82-83 (2012) (suggesting that graffiti is protected under copyright law, at least absent evidence of prosecution or other property damage).

261 *Child Pornography, Child Exploitation & Obscenity Section*, United State Department of Justice, http://www.justice.gov/criminal/ceos/subjectareas/childporn.html (last visited, Jan 21, 2014). The Supreme Court also reached the same conclusion in *New York v. Ferber*, 458 U.S. 747 (1982), in which the Court held that distribution of child pornography is intrinsically related to sexual abuse of children. *Id.* at 759.

262 *Ferber*, 458 U.S. at 761-62 (noting that the availability of child pornography "provide an economic motive for thus an integral part of the production of such materials. . . .")

263 *Id.*

tion of "knowingly access with intent to view,"[264] thus making clear that evidence of cache files stored in an accused pedophile's computer is enough to convict him with the crime of possession with intent.[265] In light of the harms associated with child pornography and the uniform condemnation of its existence, a proposal that child pornography can be within the purview of copyright protection is untenable.[266]

The approach pioneered by the Fifth Circuit in *Mitchell Brothers* has influenced judicial thinking about copyright and obscenity far beyond the United States. In *Venus Adult Shops Pty, Ltd. v. Fraserside Holdings, Ltd.* (2006),[267] the Federal Court of Australia of the District of New South Wales rejected the generalized unclean hands argument and held that there is copyright protection in pornographic films. The case involved unauthorized copying of adult films by the defendants who claimed in their defense that there is no copyright protection for obscene works.[268] *Venus Shops* is an important decision because, in reaching what the court believed to be the best contemporary approach, the judges conducted an extensive review of both English and American authorities concerning the application of unclean hands and the public policy ground in copyright infringement disputes.[269] Regarding whether public policy denies copyright protection for pornographic works, the court found that there was no statutory basis under the existing Australian copyright law for a finding that copyright does not subsist because the content of the relevant work offends community values or standards.[270] Judge Finkelstein after comparing English and American jurisprudence, declared that he regarded the

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264 18 U.S.C. §§ 2252(a)(4), 2252A(a)(5)(B) (2012) (as amended by Enhancing the Effective Prosecution of Child Pornography Act of 2007, Pub. L. 110-358, tit. II § 203(b), 122 Stat. 4001, 4003).

265 *See* United States v. Shiver, 350 Fed. App'x 640 (11th Cir. 2008) (rejecting the defendant's argument that he lacked the ability to exercise a dominion or control over the files, which had been deleted and stored in his computer's unallocated files, since it proved that the defendant had viewed the files and destroyed them).

266 However, the *Mitchell Brothers* court commented that the penalties for obscenity (which at the time of the *Mitchell Brothers* decision included child pornography) are already defined by statute, and there is simply no need for the courts to "add a new penalty out of their own heads by denying protection." Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852, 862 (5th Cir. 1979). *See* Green, *supra* note 172, at 183 (noting that the existence of copyright would not hinder criminal prosecutions).

267 (2006) 157 FCR 442 (Austl.).

268 *Id.* at 445.

269 *Id.* at 463-65, 479-81.

270 *Id.* at 465 (noting that the Australian copyright law had "no equivalent of section 171(3) of the *Copyright Designs and Patents Act*" which empowers the UK courts to recognize common law defense, based on public policy grounds, in infringement disputes).

Fifth Circuit's *Mitchell Brothers* decision as the most correct approach in this matter and opined that Australian courts do not have the power to create policy-based exceptions to copyrightability.[271]

As for the issue of whether unclean hands bars an owners of an obscene work from seeking damages against the infringer, the court conceded that a work's illegality may restrict its distribution and consumption and thus could affect the plaintiff's ability to seek a tortious remedy. The *Venus Shops* court, however, did not agree that unclean hands can be broadly invoked to set aside monetary damages outright,[272] deeming the doctrine to be a "discretionary approach" limited to instances where there is a demonstrable relationship between the relevant prohibitions or restrictions and the cause of action.[273] The court then distinguished between copyrightable articles whose distribution could be restricted as a matter of law and those whose mere possession is unlawful,[274] stating that "it is difficult to see how an owner of copyright could invoke the conversion remedy if the infringing copies are such that their possession is contrary to law."[275] For the present case, Judges French and Kiefel adopted a rule that the plaintiff's ability to recover conversion damages is not foreclosed unless the defendant can show that there is virtually no market for the plaintiff's articles and that the illegality of their sale is patently obvious.[276]

2. *Copyright Misuses*

In the closing paragraph of the *Mitchell Brothers* decision, the Fifth Circuit observed that its dismissal of an obscenity defense and a general applicability of unclean hands would not prevent courts from barring a plaintiff from judicial relief "[i]n an appropriate case [where] a misuse of the copyright statute . . . in some way subverts the purpose of the stat-

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271 *Id.* at 480. Judge Finkelstein believed that courts are poorly equipped to determine whether or not a film is obscene or pornographic. *Id.* at 480 (stating that "there are insurmountable difficulties standing in the way of denying copyright or copyright protection to works that may be regarded as obscene or pornographic.").

272 *Id.* at 468.

273 *Id.*

274 *Id.* at 469.

275 *Id.* However, in the case of obscene pornography, Judge Finkelstein observed that legislatures in every state and territory of Australia have now strived to reach a balance between, on the one hand, the rights of adults in a free society to see what they wish, and on the other hand the power to impose some constraints on those rights for the good of society. But even films in the most restricted category "RC" are not illegal to possess for private viewing. *Id.* at 477.

276 *Id.* at 471.

ute."[277] The *Mitchell Brothers* court however assumed that the courts' power to address the issue of copyright misuse would preferably stem from "the promotion of originality" principle of copyright rather than from an equity doctrine.[278] Nevertheless, there is no suggestion that unclean hands cannot, in limited cases, be invoked to penalize a plaintiff for his egregious or glaring abuses of copyright law.[279] Indeed, courts have upheld some forms of unclean hands defense when the plaintiff misused the judicial process — including falsifying evidence and misrepresenting the scope of his copyright.[280] The Nimmer treatise, likewise, only objects to the unclean hands defense, against a plaintiff's abusive conduct when the plaintiff's transgression is of "an extraneous, immaterial, or inconsequential nature."[281]

Since 2010, the increased frequency of mass infringement lawsuits revived the discussion of the unclean hands defense in the context of copyright misuse,[282] as nameless John Doe defendants argued that courts should not lend their aid to pornography-producer plaintiffs who relied on coercive tactics to force them into settlement.[283] According to one study, a high number of cases filed against BitTorrent users involve the illegal downloading of hard-core pornographic films, thus subjecting defendants to potential embarrassment should their identities become available dur-

277 Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852, 865 (5th Cir. 1979).

278 *Id.* & n.27 (giving examples of "fraudulent misrepresentations about authorship to the Register of Copyrights" and the use of copyright to enforce a monopoly in tie-in cases).

279 The *Mitchell Brothers* court clearly would not dismiss the unclean hands defense, provided that the plaintiff's alleged conduct "in some measure affect the equitable relations between the parties in respect of something brought before the court for adjudication." *Id.* at 863. *See also* Broderbund Software, Inc. v. Unison World, Inc., 648 F. Supp. 1127, 1138 (N.D. Cal. 1986) (citing *Mitchell Brothers* to reject the defendant's unclean hands defense based on the fact that the plaintiff infringed someone else's copyright).

280 4 NIMMER & NIMMER, *supra note* 145, §13.09[B].

281 *Id.*

282 According to Professor James Alexander, the uncertainty of copyright protection of pornographic works was partly responsible for the recent growth of a new business model where copyright agents seek to generate revenue (which they share with copyright owners) "not by bringing named defendants to trial for copyright infringement but rather by discovering their identity via subpoena and sending them a letter asserting they have evidence of their copyright infringement." Alexander, Swarms and Trolls, *supra* note 10, at 9.

283 *See, e.g.*, Megan R. Haslach, *Trouble for Trolling: Courts Reject Copyright Trolling Tactics*, 9 WASH J.L. TECH. & ARTS 93 (2013).

ing the litigation.[284] Some courts have sympathized with the defendants and have applied varying forms of unclean hands to punish the plaintiffs for their aggressive settlement strategies.[285] Other courts, on the contrary, exercised more restraint and declined to deviate from the prevailing view of content neutral copyright as asserted by *Mitchell Brothers* and *Jartech*.[286] It remains to be seen whether unclean hands will be invoked more frequently by judges who strive to put a check on copyright trolling practices, relentlessly pursued by the country's adult-film makers and their agents.[287] Generally, copyright trolls' mass lawsuits are susceptible to challenges based on procedural issues such as misjoinders;[288] and trolls are notorious with regard to their inability to identify the infringers who actu-

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284 *Id.* at 100. *See, e.g., In re* BitTorrent Adult Film Copyright Infringement Cases, Nos. 11-3995 (DRH) (GRB), 12-1147(JS) (GRB), 12-1150 (LDW) (GRB), 12-1154 (ADS) (GRB), 2012 WL 1570765 (E.D.N.Y. May 1, 2012).

285 *See, e.g.*, Next Phase Distrib., Inc. v. John Does 1-27, 284 F.R.D. 165, 171 (S.D.N.Y. 2012) (exercising sua sponte discretion to sever and dismiss Does 2-27 from the action based on an assumption that the copyright itself might be deemed invalid, which could prove to be a costly and futile exercise for the court, and an unnecessary ordeal for the John Does). In another 2013 infringement suit, a federal court in Wisconsin fined the plaintiff, Malibu Media, for attaching lists of pornographic films, allegedly downloaded by the defendant, but not subject to plaintiff's copyright, so as to prove that the defendant had a habit of downloading pornographic films without authorization. The court dubbed the plaintiff's tactic as "embarrassing lists" and concluded that the plaintiff had no legitimate purpose other than "to coerce defendants to settle, based not on the merits of the case, but on the reputational harm of being publicly associated with hardcore pornography." Kurt Opsahl, *Judge Fines Copyright Troll Lawyer for Harassing Tactic Used Nationwide*, ELECTRONIC FRONTIER FOUNDATION (Sept. 17, 2013), https://www.eff.org/copyright-troll-lawyer-sanctioned.

286 *See, e.g.*, Malibu Media, LLC v. John Does 1-16, Nos. 12-2078, 12-2084, 12-2088, 2012 WL 4717893, at *8 & n.8 (E.D. Pa. Oct. 3, 2012) (noting that views that the copyright laws are not content-based, and that pornography is eligible for copyright protection have been supported by other circuits that have addressed the issue); Malibu Media, LLC v. John Does 1-28, Nos. 12-cv-12598, 2012 WL 7748917, at *10 (E.D. Mich. Oct. 31, 2012) (offering no position on the issue, but disagreeing with the defendants that the joinder was improper just because the plaintiff's works are pornographic).

287 Professor Alexander suggests that this business model may continue to be refined and standardized until the courts find it acceptable, since many pornographic productions now rely on it as their major source of revenues. Alexander, Swarms and Trolls, *supra* note 282, at 11 (noting that many adult film producers now concentrate on making low-budget films that are not likely to be commercially successful or even released to theaters, but instead take advantage of the "infringement nation" climate among modern consumers).

288 Haslach, *supra* note 283, at 104 (recommending fighting trolls with the joinder rules under Federal Rules of Civil Procedure 20).

ally downloaded/shared the work in question.[289] However, when the infringer admits downloading, the threat of statutory damages leave him or her with little choice but to settle.[290]

B. Restriction of Copyright Enforcement on Broader Equity Grounds

The fact that in the UK, a work's "immoral tendency" remains a firm basis for denying copyright protection has been discussed in detail in Section II, *supra*. The moral tendency doctrine means that a work can be deprived of its copyright even though its content may not be criminally obscene. Immoral tendency, however, is only a subset of larger public policy grounds which can be invoked to bar the plaintiff from enforcing his right, should the publication of his work prove contrary to the public interest.[291]

Despite the immoral tendency doctrine being reasserted time and again, the UK courts have not denied copyright protection in any published work on the basis of obscenity or immorality since *Glyn*.[292] In *Stephen v. Avery*, the court suggested that refusing to enforce copyright based on the civil obscenity standard has become increasingly unlikely in the contemporary world, given the lack of a uniform moral standard in our period.[293] But in *Guardian Newspapers*, we saw a book stripped of its copyright because the author breached the duty of confidence and fidelity he owed to the Crown.[294] Although the book was cleared for commercial release in Britain,[295] Peter Wright, the author of *Spycatcher*, was barred from benefiting from the book's sale proceeds,[296] and the House of Lords awarded the Crown an accounting for profits resulting from the publishers' publication of excerpts from the book.[297] Consequently, it is appropriate to identify two important features of the English public policy ground: first, that there is no right of action for damages arising from in-

289 *Cased Closed – Wong v. Hard Drive Productions*, DIETROLLDIE (Jun 5, 2012), http://dietrolldie.com/2012/06/05/case-closed-wong-v-hard-drive-productions-412-cv-00469-judgment-against-hdp.

290 17 U.S.C. § 504 (c)(2) (2012).

291 *Guardian Newspapers*, [1990] 1 A.C. at 262.

292 Sims, *Denial of Copyright*, *supra* note 8, at 335 (noting that: "[i]t's doubtful whether courts would express the same moral outrage [as in *Glyn*] today.").

293 *Avery*, [1988] 1 Ch. at 453.

294 *Guardian Newspapers*, [1990] A.C. 109 (H.L.).

295 The House of Lords only lifted the gag order against *Spycatcher* because the books had been available in the UK for some time (due to foreign imports), thereby destroying the confidentiality of the material. *Id.* at 253.

296 *Id.* at 261 (Lord Keith observed that: "[i]ndeed, it appears that Mr. Wright would have no legally enforceable claim against [the newspapers] for payment upon the principle of *ex turpi causa non oritur action*.").

297 *Id.* at 262-63.

fringement of copyright in an obscene or illegal work; and second, that courts may refuse their assistance where the rights sought to be protected are founded on obscenity or illegality.

Today, the public policy ground is preserved by Section 171(3) of the CDPA.[298] In *Hyde Park I*, Justice Jacob noted that with the legislative intervention by Parliament, it was too late to reject the public policy ground from UK copyright law[299] — noting that "in principle public policy can prevent copyright enforcement completely."[300] In this regard, the *Hyde Park I* court rejected a proposition that Section 171(3) only allows a court to use judicial discretion to ameliorate an injunctive order or to decrease the damages, but not to reject copyright out of hand.[301] On appeal, Justice Aldous declared that Section 171(3) neither expanded nor contracted what he believed to be the court's "inherent jurisdiction" to refuse to allow their process to be used in certain circumstances. He then stipulated that the courts could refuse to enforce copyright either because of public morality or when a serious public interest concerning life, health, safety or the administration of justice is at stake.[302] Hence, it is clear that the applicability of the unclean hands maxim, under UK copyright law, will not be confined to a plaintiff's salacious or unethical behavior directly related to the claim made before the court.

The UK courts' unwillingness to move away from the equitable jurisprudence of unclean hands developed by Lord Eldon is puzzling. The courts' tenacity in maintaining the doctrine that the *Mitchell Brothers* court referred to as "vestiges of a by-gone era" can perhaps be explained by the fact that there are two sides to the public interest doctrine in English copyright jurisprudence. On one hand, we have the public policy ground, which is a direct offspring of the unclean hands jurisprudence de-

298 Section 171(3) reads: "Nothing in this Part affects any rule of law preventing or restricting the enforcement of copyright, on grounds of public interest or otherwise." CDPA 1988, *supra* note 19, at sec. 171(3).

299 Hyde Park Residence, Ltd. v. Yelland, [1999] R.P.C. 655 (ch.) (Hyde Park I).

300 *Id.*

301 An alternative interpretation of Section 171(3) was proposed to the effect that, by using the words "restricting enforcement," Parliament did not intend courts to use this provision to create a defense not described within the statute, but only to exercise their discretion over equitable or interlocutory remedies. *Id.* at 664 (plaintiff's argument). *See also* 1 LADDIE ET AL., *supra* note 76, at 737 (suggesting that the "rule of law" referred to in Section 171(3) can only extend to legal doctrines that merely prevent or restrict copyright enforcement, but would not include the doctrines that reject or terminate the existence of copyright); Davies, *supra note* 69, at 6 (relying on the *Stockdale* decision to suggest that Section 171(3) of the CDPA authorizes rejection of copyright in "grossly immoral" works).

302 Hyde Park Residence, Ltd. v. Yelland, [2001] Ch. 143, 168 (C.A.) (Hyde Park II).

veloped by Lord Eldon in the early nineteenth century.[303] On the other hand, there is the public interest defense — a principle that restricts a plaintiff's right to obtain an interlocutory order when the public interest favors public disclosure, which first originated in breach-of-confidence cases and then emigrated into copyright misuse cases.[304] According to Alexandra Sims, only the UK and New Zealand, among the common law countries, maintain a similar provision, in their copyright statutes, allowing courts to invoke public interest to either supplement the fair dealing exceptions to copyright infringement or to bar copyright enforcement.[305] In any case, both doctrines permit courts to exercise extra-statutory power when adjudicating copyright claims, which is squarely at odds with the fundamental objectives of modern copyright law.[306] Despite their codification in the CDPA 1988, which preserves their validity within the UK copyright system, courts are best advised to refrain from invoking them, except in extraordinary cases.

A more modern approach of applying the public policy ground is that of Canada. The first Canadian case dealing with copyright in obscene works appeared in 1928. In *Pasickniak v. Dojacek*,[307] an obscenity defense was raised against a book published in the Ukrainian language whose title can roughly be translated into English as "Large Dream

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303 Indeed, in *Guardian Newspapers*, Lord Keith clearly identified the public policy ground to be based on the legal maxim of *ex turpi causa non oritur actio*. *Guardian Newspapers*, [1990] 1 A.C. at 261.

304 The first case in which this doctrine was recognized as a defense to copyright infringement was *Lion Laboratories, Ltd. v. Evans*, [1985] Q.B. 526, 536-538 (stating that "courts will restrain breaches of confidence, and breaches of copyright, unless there is just cause or excuse for breaking confidence or infringing copyright."). The *Lion Laboratories* court was heavily influenced by Lord Denning's formulation of the connection between the doctrine of equity and public interest in *Fraser v. Evans*, [1969] 1 Q.B. 349, 362 (noting that some things are required to be disclosed in the public interest, in which case no confidence can be prayed in aid to keep them secret).

305 Section 225(3) of New Zealand's Copyright Act of 1994 is virtually identical to Section 171(3) of the CDPA. Sims, *Denial of Copyright*, *supra* note 8, at 341-42 (noting that it is unclear whether New Zealand's law had supported the public policy doctrine before the enactment of the 1994 Act, which seems to suggest that the Legislature's intent was simply to copy Britain's CDPA 1988).

306 Regarding the public policy defense, the most obvious objection is that this type of defense may constitute an expropriation of private property without compensation. Moreover, the dearth of case law on the public interest defense prior to the passage of the CDPA 1988 shows that the courts' administration of this doctrine had been judicious and lacked even-handedness. *Id.* at 341.

307 [1928] 1 W.W.R. 865 (Man. C.A.).

Book."[308] Judge Dennistoun held that, because copyright in Canada had already become a purely statutory right, there was no basis in denying that copyright existed in any works that evidently passed the bar of originality.[309] However, Dennistoun observed that courts may still withhold monetary relief in the case where the work is found to be criminally obscene — since it was commonsense that an author who could not sell his work would surely fail to prove damages.[310] The holding in *Pasickniak* appeared to reject the property theory of Lord Eldon's unclean hands as reiterated in *Glyn* — Dennistoun instead found Eldon's principle in *Stockdale* to be simply a matter of one's inability to prove damages.[311] But the factual circumstances of the case cast some doubt over *Pasickniak*'s true significance. First, the content of the contested book was not even considered to be obscene by Judge Fullerton who held that the trial judge erred in his obscenity finding.[312] Second, the fact that the *Dream Book* was written in a language unfamiliar to the Canadian public rendered the defendant's public interest claim less than compelling.[313]

The issue of obscenity and copyright came to the attention of another Canadian court in 1987. In *Aldrich v. One Stop Video, Ltd.*,[314] the British Columbia Supreme Court confirmed that there was nothing in the Canadian copyright law that denied copyright to an author on the grounds that the work being infringed was obscene or indecent.[315] The *Aldrich* Court dismissed *Glyn*'s rejection of copyright in obscenity, declaring that the doctrine had been revoked by Canada's adoption of the Copyright Act of 1921,[316] which anticipated the country's imminent accession to the Berne

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308 *Id.* ¶ 1.

309 *Id.* ¶¶ 60–61 (holding that "there is nothing in the [Copyright Act of 1921] that denies an author his copyright on the grounds that his work is indecent, obscene or immoral.").

310 *Id.* ¶ 61. This means that there is nothing under the Canadian copyright law that prevent courts from granting injunctive relief to an owner of an obscene work.

311 *Id.* ¶¶ 61–63.

312 *Id.* ¶ 18.

313 *Id.* ¶ 50.

314 [1987] 13 B.C.L.R. (2d) 106 (Can.). The case involved the defendants' unauthorized reproduction and distribution of the plaintiffs' adult videos, which had been properly registered both in the U.S. and Canada.

315 *Id.* ¶¶ 100, 114.

316 Section 3 of Canada's first Copyright Act, S.C. 1868, c. 54, stated that "no immoral or licentious, treasonable or seditious book or any other such literary, scientific or artistical [sic] work or composition shall be the subject of such registration or Copyright." *Id.* ¶ 28. The *Aldrich* court found that when Canada decided to enact the new Copyright Act of its own — without adopting the UK's Imperial Copyright Act of 1911 — the Canadian Parliament made a clear stride, in enacting the Copyright Act of 1921 and discarding the language in the Section 3 of the 1868 Act, toward compliance

Convention — while holding that *Pasickniak*, decided in 1928, was still good law. Justice Davies nevertheless found that the common law principles relating to public policy remained applicable in copyright disputes.[317] The problem of obscenity, according to *Aldrich*, should not be addressed entirely by the criminal law, and the common law still has a supplementary role to play regarding the protection of moral values.[318] In the end, however, Davies examined the social context of copyright in obscenity and declared that — in the light of public policy considerations, international protection of copyright, and ever-changing moral values — he ought not to apply principles of common law and equity to restrain the dissemination of obscenity through a refusal of copyright.[319]

The approach adopted by the *Aldrich* court offers a mixed position that attempts to compromise between the need to preserve the content-neutral character of modern copyright — as envisioned by the Berne Convention of 1908 — and the special need to modify monetary remedies through the common-law public policy doctrines. On one hand, this approach allowed the court to grant injunctive relief to the plaintiff, while treating the issue of damages as a matter of proof of compensable loss.[320] On the other hand, *Aldrich* reaffirmed the court's inherent power — through the common law's public policy doctrine — in addressing copyright misuses as well as the illegality of a plaintiff's conduct without jeopardizing the copyright holder's entire property interest.[321] Indeed, the court suggested that owners of objectionable content who have rectified the illegality of their content can still have a good chance of enforcing their rights in court.[322] Justice Davies remarked *in obiter* that if the plain-

with the Berne Convention of 1908. In the light of the country's legislative history, Justice Davies concluded that the prior common law doctrine of copyright civil-obscenity ceased to be a controlling law in Canada. *Id.* ¶¶ 26–31, 64–74. Specifically, Davies averred that: "I should not adopt earlier case law which has ceased to be binding precedent without [considering] whether or not its application is appropriate today." *Id.* ¶ 93.

317 Justice Davies identified two applicable principles: "first, that there is no injury in the form of compensable loss through being denied the expected gain from an unlawful act and, second, that courts will refuse their assistance to plaintiffs who attempt to take advantage of another's illegal acts." *Id.* ¶¶ 101, 113.

318 *Id.* ¶ 97.

319 *Id.* ¶ 100.

320 *Id.* ¶¶ 117–118.

321 *Id.* ¶¶ 103–113 (noting that the right of action in infringement cases serves the largely personal interest of the plaintiff, whereas the public interest doctrines is fundamental to the legal system).

322 However, because the plaintiffs in this case did not offer such proof, the court concluded that the plaintiffs did not successfully prove the damages they sought. *Id.* ¶ 118

tiffs could prove that their works were not obscene, or that the obscene portions could have been severed from the products without rendering them unmarketable, they would be entitled to compensation.[323] In sum, the Canadian approach, while not rejecting the general applicability of the unclean hands doctrine, precludes courts from rejecting out of hand copyright in works of illegal or obscene content.[324]

C. *Copyright Protection in Pornographic Works Outside the West: A Perspective from Asia*

Although the unclean hands maxim does not apply outside common law countries, the concept of public interest diffuses and expands equally within the common law and civil law systems. In civil law countries, the public interest is generally viewed as a common interest accountable to the state as a unit of social coexistence.[325] Unlike the common law countries, whose tendency towards positivism is reflected in their adherence to the philosophy of utilitarianism, the civilists have a tremendous respect for the notion of natural law.[326] They believe that man-made law, which derives its validity from the higher natural order, must, at all times, be exercised in a way that is consistent with a society's common morality and cannot ultimately stand against it.[327]

Among the countries in which freedom of the press is severely limited, such as China, Thailand, and Vietnam,[328] the doctrine of public policy — usually referred to in civil-law countries as *ordre public* and *good morals* — is often invoked as a general exception to the fundamental freedom of expression and speech.[329] Among Asian states that have struggled

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323 *Id.*

324 Although Justice Davies's discussion suggests that Canadian courts have broad discretion to apply the common law public interest doctrine, his conclusion at the end of the opinion clearly prefers a more limited application of the public policy doctrine — i.e., one that merely subjects a plaintiff to proof of damages rather than discriminating against his rights. *Id.* ¶ 129.

325 Vera Langer, *Public Interest in Civil Law, Socialist Law and Common Law Systems*, 36 AM. J. COMP. L. 279, 280 (1988).

326 Phillips, *Berne Convention*, *supra* note 53, at 114.

327 *Id.*

328 According to the annual report by Freedom House in 2013, Thailand has been classified — with respect to the freedom of the press — as a "not free" country on account of its aggressive enforcement of lèse-majesté laws, which restrict speech deemed offensive to the monarchy. *Freedom of the Press 2013: Countries with Notable Developments*, FREEDOM HOUSE, *available at* http://www.freedomhouse.org/sites/default/files/Freedom%20of%20the%20Press%202013-%20Infographic.pdf (last visited Jan 31, 2014).

329 *See, e.g.*, FREEDOM OF THE PRESS 2013: MIDDLE EAST VOLATILITY AMID GLOBAL DECLINE (2013), *available at* http://www.freedomhouse.org/sites/default/files/FOTP%202013%20Full%20Report.pdf.

to adopt full democracy or have democratized at a lower level, efforts to update commercial legislation often end up with a highly truncated version of the rule of law.[330] Thus, for those countries in which the distribution of pornography is severely restricted, infringers should not be surprised to find themselves targeted equally by the government's efforts to purge obscenity from the country's channels of commerce, and by national campaigns against copyright piracy.[331] It should also be observed, in addition, that many countries had to suddenly expunge the content-based restrictions from their literary-property systems when they acceded to the Berne Convention[332] and/or, subsequently, the TRIPs Agreement.[333] The lack of standard and legal authority for applying "public policy exceptions" in the copyright context means that courts will be more inclined to rely on existing standards, such as criminal obscenity, when judging whether or not a work of pornographic or indecent nature deserves copyright protection. In this regard, a more accurate observation regarding the extent to which obscene or illegal expressions could enjoy copyright protection should begin by first determining whether the country has a tolerant attitude toward pornography.

1. Pornography Prohibited Countries

In countries where pornography is strictly prohibited, it is extremely unlikely that courts will differentiate between permissible pornography and illegal obscenity — meaning that there cannot be any copyright protection in works that contain even a modest amount of nudity or simulated sexual acts. Infringement and piracy of pornographic works, hence, will

330 Randall Peerenboom, *Rule of Law, Democracy and the Sequencing Debate: Lesson from China and Vietnam, in* LEGAL REFORM IN CHINA AND VIETNAM: A COMPARISON OF ASIAN COMMUNIST REGIMES 30-34 (John Gillespie & Albert H. Y. Yen eds., 2010).

331 Stephen McIntyre, *The Yang Obeys, but the Yin Ignores: Copyright Law and Speech Suppression in the People's Republic of China*, 29 UCLA PAC. BASIN L.J. 75, 77-78 (2011) (recounting how the Chinese government combined its campaign against piracy and pornography in 2006).

332 Berne Convention, *supra* note 2. However, Commonwealth countries, such as India and Malaysia, had maintained systems of copyright protection which were put in place by the British rulers long before they join the Berne Convention. Their copyright traditions, consequently, draw much influence from English copyright jurisprudence. *See* INTELLECTUAL PROPERTY IN ASIA: LAW, ECONOMICS, HISTORY AND POLITICS 70-72, 167-72 (Paul Goldstein & Joseph Straus eds., 2009) (discussing the history of copyright in India and Malaysia).

333 *See* McIntyre, *supra* note 331, at 84-89 (explaining that although China had invented wood-block printing in the ninth century and movable type in the eleventh, the idea of literary property had never emerged in the country's entire history until the early twentieth century).

generally be addressed almost entirely by the government's effort to eliminate the source of distribution. China's Regulation on the Management of Publication ("Publication Regulation"),[334] for instance, stipulates that no publication may contain content that "propagates obscenity, gambling or violence, or instigates crime," or which "jeopardizes social morality or fine culture."[335] Furthermore, before being amended in February 2010, Article 4(1) of the Chinese Copyright Act itself squarely declared copyright not to exist in works "the publication or distribution of which is prohibited by law."[336] The Supreme People's Court of China had commented upon the meaning of Article 4(1) only once, when the Court affirmed that Article 4's first paragraph withheld copyright in all works until they cleared the relevant content-screening procedures.[337] That censorship-related paragraph has now been expunged from the current Copyright Act, following the 2009 ruling by the WTO Panel that the provision violated China's commitment under the Berne Convention as well as the TRIPs Agreement.[338] Nevertheless, the remaining paragraph of Article 4, left unmodified after the 2010 amendment, still reads as follows: "Copyright holders shall not violate the Constitution or laws or jeopardize public interests when exercising their copyright. The State shall supervise and administrate the publication and dissemination of works in accordance with the law."[339]

The current language of Article 4 is certainly not unlike Section 171(3) of the UK's CDPA, discussed above, which codifies the common-law doctrine of the public interest defense. In this respect, even if Chinese copyright law no longer conditions the coming into existence of copyright

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334 State Council Order No. 343, adopted at the 50th executive meeting of the State Council on Dec. 12, 2001, promulgated on Dec, 25, 2001 [hereinafter Publication Regulation].

335 *Id.* art. 26.

336 Copyright Law of the People's Republic of China (as amended by the Decision of October 27, 2001, of the Standing Committee of the National People's Congress on the Amendment of the Copyright Law), art. 4, http://www.wipo.int/wipolex/en/details.jsp?id=857.

337 Letter of Supreme People's Court on the Copyright Infringement Dispute Case *Zheng Haijin v. Xu Zheng Xiong and Tianjin People's Publishing House*, Mar. 9, 2000, Zhi Jian Zi, [1998] No. 33, *quoted in* WORLD TRADE ORG., CHINA – MEASURES AFFECTING THE PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS: PANEL REPORT, ¶ 7.51, WT/DS362/R (adopted Jan. 26, 2009) [hereinafter CHINA – IP RIGHTS].

338 CHINA – IP RIGHTS, *supra* note 337, ¶¶ 7.160, 7.181 (holding that Article 4.1 of China's Copyright Act was inconsistent with Article 5.1 of the Berne Convention and Article 41.1 of TRIPs).

339 Presidential Order No. 26, adopted at the 13th meeting of the Standing Committee of the eleventh People's Congress on Feb. 26, 2010, promulgated on Apr. 1, 2010, art. 4, http://www.wipo.int/wipolex/en/text.jsp?file_id=186569.

on the basis of a work's content, Article 4 of China's Copyright Act still preserves the status-quo of the Chinese censorship regime by providing courts with a broad content-based discretion that can be used to reject a copyright in obscene works or to deny legal remedies to which a plaintiff might otherwise be entitled in an infringement case.[340] An unqualified exercise of the public policy exception also means that Chinese courts may deny copyright protection in any pornographic work, regardless of whether the work's offensive nature falls near the country's criminal obscenity standard.[341] Thus, although the government's vigorous campaign to uproot obscenity may only aim to discourage and intimidate piracy of hardcore or near-hardcore pornography, the combined censorial effects of the public policy doctrine and obscenity laws would surely extend to remove protection in works with only mild nudity or that have serious redeeming values.

Admittedly, the question of whether courts will protect copyright in countries where pornography is not tolerated, or where freedom of the press has been severely oppressed, is a rather moot inquiry. The severity of the punishment associated with the proliferation of an obscene publication makes it unlikely that anyone would ask courts to enforce copyright in such works. Indeed, obscenity laws seem to provide a much more effective deterrent to copyright infringement than the copyright law itself.[342] With regard to China, pornographic or erotic products are considered contraband and those who distribute them are subject to harsh punishment, which in certain cases can see a court sentencing a wrongdoer to life imprisonment or even to the death penalty.[343] Because of the illegal status of pornography in China, it seems more likely for the Chinese authorities to charge a defendant who pirated pornographic works with a violation of obscenity laws rather than with criminal copyright infringement.[344]

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340 McIntyre, *supra* note 331, 107-08 (2011) (observing that Article 4's first paragraph was superfluous from the beginning since the article's second clause manages to achieve the same goal of not protecting works, the publication and dissemination of which is prohibited because of their illegal content).

341 China is an ancient culture that has a rich history of erotic literature. The seventeenth-century work of Li Yu, *Carnal Prayer Mat* or *The Before Midnight Scholar*, was widely read in East Asia and contains graphic depictions of sexual acts and non-marital carnal relationships. China's view regarding obscenity, however, changed drastically after the Cultural Revolution when all the country's traditional values were almost wiped out. *See* Zhou He, *Pornography, Perception of Sex, and Sexual Callousness: A Cross Cultural Comparison, in* MEDIA, SEX, VIOLENCE, AND DRUGS IN THE GLOBAL VILLAGE 134-35 (Y.R. Kamalipour & K.R. Rampal eds., 2001).

342 *See* Hong, *supra* note 18, at 324-25.

343 He, *supra* note 341, at 135.

344 The current taskforce dealing with piracy of pornographic materials in China is the National Anti-Pornography and Piracy Working Committee

China's campaign against pornography gained world-wide attention in 2006 when the Taiyuan Intermediate People's Court handed down a life sentence to Chen Hui, the then twenty-eight-year-old operator of the country's largest pirate pornographic Web site called "Pornographic Summer."[345] The Chinese authorities were reportedly able to confiscate only a small amount of the defendant's assets,[346] but the gravity of his sentence surely posed a far more potent deterrent to future pirates of pornographic content than any damages the law could possibly allow.

The scenario where a state's concern over obscenity publications overshadows the problems of copyright piracy is also common in Malaysia and among other Muslim-dominated countries in which criminal offenses are heavily influenced by the precepts of Sharia law. Islam's aversion to pornography can supply courts with an extra-statutory rationale to reject the existence of copyright and legal remedies otherwise available to a plaintiff.[347] The contrast between obscenity laws in India and Malaysia can be illustrative in this regard. Obscenity statutes in Malaysia and India are almost identical. Because the Malaysian Penal Code is based on that of India, the obscenity provisions in both statutes — Section 292 — contain essentially the same language with identical numbering.[348] However, whereas India's Section 292 provides exceptions to exclude from liability a publication "justified as being for the public good on the ground that [such publication] is in the interest of science, literature, art or learning or other objects of general concern" or being articles having religious or historical character,[349] the Malaysian version of Section 292 does not provide a similar set of exceptions. Thus, despite the fact that the Indian obscenity law does not clearly differentiate between permissible pornography and illegal obscenity,[350] the Indian Supreme Court has held that an obscene publica-

("NAPPWC"). APPWC is more inclined to enforce obscenity law against illegal pornographic Web sites and file-sharers rather than relying on criminal copyright violation. Hong, *supra note* 18, at 324.

345 *Web Pornographer Sentenced to Life in Prison in China*, FOXNEWS.COM (Nov. 22, 2006), http://www.foxnews.com/story/2006/11/22/web-pornographer-sentenced-to-life-in-prison-in-china.

346 *Id.*

347 *See* Shaykh Gibril Haddad, *Pornography and the Shariah: Why Must Things Be Banned in Society*, ISLAMQA (last visited Nov. 13, 2004), http://qa.sunnipath.com/issue_view.asp?HD=1&ID=1739&CATE=91 (noting that while Shariah law may not apply as strictly to non-Muslims, consumption of pornography should be strictly private).

348 Indian Penal Code, Act No. 45 of 1860, PEN. CODE § 292(2)(a) [hereinafter IPC]; the Malaysian Penal Code, Act No. 574 of 1997, § 292(a) [hereinafter MPC].

349 IPC, *supra* note 348, § 292(2)(a).

350 In the 1965 landmark decision, the Supreme Court of India — in upholding the appellants' conviction for selling copies of D.H. Lawrence's *Lady Chat-*

tion can enjoy constitutional protection if it has "a preponderating social purpose or profit,"[351] and that obscenity should be judged "by an objective assessment of the [publication] as a whole and also of the passage complained of as obscene separately."[352] On the contrary, all depictions of nudity in both films and publications are strictly censored in Malaysia regardless of any social, medical or literary value therein.[353] In November 2011, Malaysian officials banned a book entitled *Islamic Sex* that offers sex tips to Muslim women.[354] Malaysia's censorship made headlines again, in 2012, when the Home Ministry ordered bookshops to stop selling copies of a cartoon-illustrated sex education book by a British author "*Where Did I*

terley's Lover — declared that in India "pornography is seen as an aggravated form of obscenity." Udeshi v. State of Maharashtra, (1965) 1 S.C.R. 65, 70 (India) (Hidayatullah, J.). The Indian Court defined the term "obscene" as "offensive to modesty or decency; lewd, filthy and repulsive," and considered pornography to be a specialized form of obscenity with its explicit sexual content "intended to arouse sexual desire." *Id.* It should be noted that Indian culture historically did not harbor any strong aversion against sex. The obscenity offense under the IPC has little to do with Indian tradition, but has been influenced by the British rulers' Christian morality. *See* Vallishree Chandra & Gayathri Ramachandran, *The Right to Pornography in India: An Analysis in Light of Individual Liberty and Public Morality*, 4 NUJS L. REV. 323, 327 (2011); DEANA HEATH, PURIFYING EMPIRE: OBSCENITY AND THE POLITICS OF MORAL REGULATION IN BRITAIN, INDIA AND AUSTRALIA (2010).

351 *Udeshi*, (1965) 1 S.C.R. at 77.

352 Bose v. Mitra, (1986) A.I.R. 967 (SC), (1985) 3 S.C.R. Supp. 17, 20 (India).

353 Malaysia's standard of obscenity is similar to that of India in that pornography is considered to be an aggravated form of obscenity. Malaysia's content guidelines for multimedia declare that "nudity and sex" are considered to be against the current standards of accepted behavior and "must not be shown under any circumstances, unless approved by the Films Censorship Board." Malaysian Communications and Multimedia Commission, Malaysian Communication and Multimedia Content Code 12-13 (2012) (Ver. 6), http://www.skmm.gov.my/Resources/Guidelines/Content-Code.aspx (last visited Feb. 2, 2014). The censorship of nudity in Malaysia applies equally to printed media. Section 4 of the Printing Press and Publication Act of Malaysia stipulates a jail term for those who print or produce any publication which is "obscene or otherwise against public decency." Act No. 301 of 1984, § 4(1)(A) (Malaysia). One article documented that the Malaysian censorship authority is empowered to rip pages off commercial magazines, before putting them on the shelves, if they contain articles about sex. *Sweet Satsuma, Sour Censorship*, MACVYSIA.COM (Aug 26, 2008), http://macvaysia.com/2006/08/26/sweet-satsuma-sour-censorship.

354 *Malaysia Bans Obedient Wives' Islamic Sex Guide*, BBC NEWS (Nov. 3, 2011, 5:34 AM), http://www.bbc.co.uk/news/world-asia-15568769.

Come from?"[355] Similar suppression of nudity and mild pornography has been reported throughout Muslim countries.[356]

2. *Countries Where Pornography Is Partly Permitted*

Even among countries where non-obscene pornography is tolerated, there is still no assurance that courts will enforce copyright protection in pornographic works should infringing circumstances arise. The main problem for countries in this group is that the freedom provided in their constitutions with respect to the freedom of speech is subject to considerable qualifications or restrictions.[357] The principal international instrument providing protection to free speech, Article 19 of the International Covenant on Civil and Political Rights (ICCPR),[358] allows each country to tailor the contours of its domestic freedom of expression.[359] Even in countries which democratized at a higher level such as Japan, individuals' fundamental rights have no greater preference over public welfare interests.[360] In addition, most of these countries typically lack a reliable judicial standard for determining the scope of criminal obscenity, and the courts' view of what constitutes an obscene publication can be far more conservative than what is actually considered acceptable among the public.[361] Despite these obstacles, courts can be expected to give considerable deference to decisions made by competent authorities who oversee compliance with local media regulations. Thus, in the event that a work's content is consistent with the censorship or rating regulations of the country,

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355 *Malaysia Bans Peter Mayle Book 'Where Did I Come from?'*, BBC NEWS (Feb. 21, 2012, 11:11 AM), http://www.bbc.com/news/uk-17112635.

356 Hong, *supra* note 18, at 326 (noting that even among more liberal Muslim countries, such as the UAE, Jordan and Egypt, pornography is sternly regulated and the laws hardly provide any adequate protection for its copyright).

357 SAW TIONG GUAN, FILM CENSORSHIP IN ASIA-PACIFIC REGION: MALAYSIA, HONG KONG AND AUSTRALIA COMPARED 7 (2013).

358 International Covenant on Civil and Political Rights art. 19, Dec. 16, 1966, S. TREATY DOC. No. 95-20, 6 I.L.M. 368 (1967), 999 U.N.T.S. 171 [hereinafter ICCPR].

359 Article 19(3)(b) of ICCPR stipulates that the exercise of the right to freedom of expression may be subject to certain restrictions as are necessary for "the protection of national security or of public order (ordre public), or of public health or morals." *Id.* art. 19(3)(b).

360 Chin Kim, *Asian Law and Comparative Legal Studies: A Proposed Curriculum Design*, 5 B.C. INT'L & COMP. L. REV. 91, 108 (1982).

361 *See, e.g.*, Anna Allison, *Cutting the Fringes: Pubic Hair at the Margins of Japanese Censorship Laws, in* HAIR: ITS POWER AND MEANING IN ASIAN CULTURES 199 (Alf Hiltebeitel & Barbara D. Miller eds., 1998) (noting that, in Japan, obscenity is discussed in terms of assumed effects rather than its observable content).

it is conceivable that courts in copyright disputes will refrain from discriminating against pornographic works.

a. Japan

The country that is most illustrative of this proposition is Japan. Japan is among the first Asian countries that embraced the idea of providing legal protection to literary property. By 1887, the Japanese copyright law only concerned itself with providing protection to eligible works and no longer contained any censorship provisions.[362] Until the end of the Second World War, however, government officials in Japan continued to exercise a much broader administrative discretion in regulating content of films and publications than did their western counterparts.[363] But following the defeat in World War II, Japanese society gradually adopted a progressively more liberal western attitude toward greater freedom of expression.[364] And although the law criminalizing display and distribution of obscene materials was left untouched by the American occupation authorities,[365] there is no dispute that Japan has become a country where hard-core pornography — now widely considered one of the country's most profitable exports — is tolerated to a large extent.[366]

The Japanese attitude toward nudity — though certainly liberal under Asian countries' standards[367] — is not without limits: pornographers still

362 JAPANESE COPYRIGHT LAW 3-5 (Peter Ganea et al. eds., 2005).

363 James R. Alexander, *Obscenity, Pornography, and the Law in Japan: Reconsidering Oshima's in the Realm of the Senses*, 4 ASIAN-PAC. L. & POL'Y J. 148, 153 (2003) [hereinafter Alexander, *Obscenity*].

364 *See Introduction*, EIRIN: FILM CLASSIFICATION AND RATING COMMITTEE, http://www.eirin.jp/english/index.html (last visited Feb. 4, 2014).

365 Article 175 of Japanese Penal Code states that: "A person who distributes, sells or displays in public an obscene document, drawing or other objects shall be punished by imprisonment with work for not more than 2 years, a fine of not more than 2,500,000 yen or a petty fine." KEIHŌ [Pen. C.] art. 175 (Japan) (a translated version, updated through the May, 28, 2006, revisions, is available at http://www.cas.go.jp/jp/seisaku/hourei/data/PC.pdf (last visited Feb. 5, 2014).

366 According to one source, Japan is the fifth largest pornographic films producer in the world, with revenues rival that of VDO games. *Why the Mosaic? – The Origin of Censorship in Japanese Pornography*, SPIKED NATION (Jun. 4, 2011, 4:14 AM), http://www.spikednation.com/news/why-mosaic-%E2%80%94-origins-censorship-japanese-pornography. Japan's pornography industry was reported to have total revenues of $19.98 billion in 1996. Amanda Dobbins, Obscenity in Japan: Moral Guidance Without Legal Guidance 29-30 (Feb. 2009) (unpublished manuscript), *available at* http://works.bepress.com/amanda_dobbins/1.

367 In Japan, it is not uncommon to see naked breasts in public advertisement, violent and forced sex on television. Depiction of sado-masochistic sex, while considered perverted, is not illegal. Allison, *supra* note 361, at 195.

risk being arrested for violation of the obscenity statute if they omit to apply enough mosaic patterns over the pubic hair and genital area of a nude model.[368] So long as the forbidden threshold regarding pubic hair and genitals is observed,[369] pornographers enjoy almost unrestricted liberty to incorporate strong sexual themes and pornographic elements into a work without any legal problems.[370] Despite the considerable liberty enjoyed by Japanese pornographers, the century-old obscenity law is still being invoked from time to time against distributors of adult films or authors of obscene *manga*.[371] Nevertheless, these prosecutions have been relatively rare and are generally viewed as disconcerting and unusual law enforcement efforts — ones that tend to confound both the accused and observers alike.[372] More importantly, in each of the reported cases, the

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368 Before the early 1990s, violating administrative rules regarding the prohibition on a display of pubic hair would automatically subject a violator to criminal liability. But the taboo was gradually lifted since the early 1990s, allowing pornographers to display female pubic hair, although male pubic hair and genitalia of both sexes are still off-limits. MARK D. WEST, LAW IN EVERYDAY JAPAN: SEX, SUMO, SUICIDE, AND STATUTES 188 (2005); Alexander, *Obscenity*, *supra* note 363, at 156.

369 The body overseeing regulation of sexual content, in Japan, is the self-governing Film Ethics Sustaining Committee *Eirin Iji Inkai* (Eirin) which was established in 1949. Alexander, *Obscenity*, *supra* note 363, at 157-58.

370 *Id.* at 152 n.14 (noting that even as strong a theme as sexual violence against women is generally condoned unless genitalia or pubic hair are visible).

371 In 2008, five adult-film producers and a member of an industry self-censorship were arrested for distributing movies in which genitalia were not fully pixelated. The arrest provoked anger from the porn industry which claimed that the police violated their constitutional rights. Agence France-Presse, *Porn Makers Arrested in Japan*, INQUIRER.NET (Mar. 3, 2008, 6:00 PM), http://newsinfo.inquirer.net/breakingnews/world/view/20080303-122525/Porn-makers-arrested-in-Japan——police. Another high profile case was the October 2002 arrest of the author of a *dôjinshi manga* — an obscene-parody genre of Japanese comics, typically depicting juvenile sex, rape, and sadomasochism — entitled *Misshitsu* (*Honey Room*) and his editor, Motonori Kishi. Mr. Kishi was initially sentenced to a year in prison plus a fine, but on appeal the Supreme Court thought the penalty too severe and reduced Kishi's sentence to only the fine. Keiji Hirano, *Obscenity Trial Prompts Freedom-of-Speech Outcry*, THE JAPAN TIMES ONLINE (Sept. 3, 2003), http://www.japantimes.co.jp/news/2003/09/03/news/obscenity-trial-prompts-freedom-of-speech-outcry/#.UvCKOXddUWk (last visited, Feb. 3, 2014); *Japan Manga Ruled Obscene*, BBC NEWS Hands (Jan. 13, 2004), http://news.bbc.co.uk/2/hi/asia-pacific/3391951.stm; *Manga Obscenity Appeal Denied by Japan's Supreme Court*, ICV2 (June 29, 2007), http://www.icv2.com/articles/news/10834.html.

372 The *Kishi* case was the first major case in twenty years in Japan to focus on an obscene publication. Hirano, *supra* note 371. Another case where a *dôjinshi* author named Shiyama was arrested for violating Article 175 was reported in 2007. As in *Kishi*, the cause for Shiyama's arrest was not

Supreme Court appeared to focus more on whether the allegedly obscene works were properly censored by their producers, rather than on whether the works were obscene per se.[373] Clearly, Japan's approach of conditioning the application of Article 175 based on *what can be seen* rather than focusing on *what is obscenity* has provided a sufficiently reliable guidance to pornographers.[374] If there is any unpredictability in the law, it can probably be attributed to the lack of judicial guidelines on the issue, which the public seems more comfortable leaving undiscussed.[375] Japan's leading film-regulating committee, Eirin, is also a self-governing body whose decisions do not become legal authority, and law enforcement cannot be expected to always defer to the opinions of its members.[376] But so far, no one has ever been convicted after being given a green light by Eirin. The sporadic plight of Japanese pornographers, therefore, should not serve as a counterexample to a general proposition that pornographic works that conform with the censorship criteria are copyright protectable in Japan.

b. Taiwan

The lesson from Japan's regulation of obscenity is that even in countries with conservative outlooks regarding what is considered obscene, pornography can still be allowed on a contextualized basis, although hardcore pornography remains generally impermissible. In early 2013, the Taiwanese prosecution authority made headlines across the globe when it

grounded on the fact that his *manga* was obscene per se, but rather that he did not sufficiently apply mosaic patterns over the drawn genitalia. Dobbins, *supra* note 366, at 29-30.

373 *Id.* at 30-31 (observing that the Japanese courts, in deciding obscenity cases involving pornographic *dôjinshi*, have given substantial weight to how the defendants applied the mosaic and whether the defendants sufficiently notified their customers regarding the adult content of the publication).

374 *Id.* at 49-50 (noting that courts have often shown deference to the rules and opinions of the film administration).

375 Japanese courts have not been inclined to give a clear set of definitions and guidelines regarding how to judge obscenity in a given artistic genre. The only working guideline developed since the *Lady Chatterley's Lover* trial in 1957 is that the display of genitals during the sexual act is off-limits. *Id.* at 16, 50. This guideline consensus inevitably shaped the course of Japan's pornographic industry. One observer noted that Japanese adult-film makers tend to use sex toys a lot more than their American competitors. The reason is probably that sex toys are not subject to mosaic-pattern censorship. THE SPIKED NATION, *supra* note 366.

376 During the 1970s, a total of nine persons were arrested, including three members of Eirin, in relation to three films passed by Eirin: *Koi no Karyudo* (*Love Hunter*), *OL Nikki: Mesuneko no Nioi* (*Diary of a Female Office Worker: A She Cat's Smell*), and *Kokosei Geisha* (*High School Geisha*). Everyone involved in the case were later cleared of all charges by the end of the 1970s. Dobbins, *supra* note 366, at 16-17.

announced that Taiwanese copyright law afforded no protection to hard-core pornographic films belonging to Japanese porn film-makers.[377] The statement from the Taipei District Prosecutor's Office was based on a Supreme Court ruling in 1999 against Japanese adult-film producers, holding that adult films are not copyrightable because they are against social order and public interest, and do not promote social development or scientific progress.[378] The Taiwanese authority also rebuffed the Japanese producers' argument that Taiwan owed an obligation to protect Japanese intellectual assets since both countries are members of the World Trade Organization (WTO), stating that the protection granted by the country's copyright law is necessarily subject to limitations under public order and good moral rules.[379] The Taipei prosecutors' announcement was a blow to the Japanese adult-film companies' over-decade-long campaign against piracy of their movies by Taiwanese Internet users and rogue Web sites. In desperation, the Japanese companies threatened to press charge against local infringers, relying on a Taiwanese law, which prohibits the spreading of "obscene-to-minors" material to children.[380] This strategy, again, failed to gain any ground as the prosecutors explained that the pirate sites were immune to such charges so long as they displayed clear warnings regarding age eligibility and blocked access to minors.[381] It appeared that the Japanese film-makers were not willing to pursue a claim based on the general obscenity law.[382] This was not surprising, since conceding that their prod-

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377 *Pornography Not Protected as Intellectual Property*, FOCUS TAIWAN (Mar. 21, 2013, 11:08 PM), http://focustaiwan.tw/news/asoc/201303210044.aspx.

378 Yulan Kuo & Yu-Jia Yen, *Pornographic Films Are Not Works Under Taiwanese Copyright Law*, LEXOLOGY.COM (Apr. 24, 2013), http://www.lexology.com/library/detail.aspx?g=E5a1f589-4bc0-414a-af88-7fdcbbc749eb. The ruling was based on Article 3 of Taiwanese Copyright Act, which defines "work" to mean "a creation that is within a literary, scientific, artistic, or other intellectual domain." Copyright Act of Republic of China (2010) art. 3, *available at* http://www.tipo.gov.tw/lp.asp?CtNode=6825&CtUnit=3316&BaseDSD=7&mp=2.

379 *Id.*

380 Tim Cushing, *Taiwanese Supreme Court Says Porn Not Covered by Copyright*, TECHDIRT.COM (Mar 26, 2013, 1:18 PM), http://www.techdirt.com/articles/20130325/18373422460/taiwan-supreme-court-says-porn-not-covered-copyright.shtml.

381 *Id.*

382 *Id.* Article 235 of the Taiwanese Criminal Code considers it a crime, with a maximum of two years imprisonment, to "distribute, broadcast, sell, publicly display, or by other means to show an obscene writing, picture, audio record, video record, or any other object to another person." Criminal Code of the Republic of China (as amended by Act of 2013) art. 235, Law and Regulations Database of the Republic of China, *available at* http://law.moj.gov.tw/eng/LawClass/LawAll.aspx?PCode=C0000001.

ucts are obscene, even to adult viewers, would be detrimental to the filmmakers' very enterprise.

Despite the 1999 Supreme Court judgment rejecting copyright in hard-core pornography, the Taiwan Intellectual Property Office (TIPO) has previously recognized copyright in adult films.[383] The TIPO however revised its opinion in the wake of Japanese copyright-porn saga in 2010, stating that the question of whether pornographic films may enjoy copyright protection ultimately hinged on the judgment of local courts rather than on the intent of the country's Copyright Act.[384] But within the realm of soft-core pornography and art films, there is a bright prospect for filmmakers. Taiwan's film classification board, operating under the Government Information Office (GIO), has become less stringent with regard to restrictions on nudity ever since the rating system was adopted in 1994.[385] In particular, the board appeared willing to accept a film director's argument that his or her film was an expression of an artistic vision or contained hidden philosophical messages, and was not just intended to conjure lust or prurient interest in the audience.[386] In 2011, a Hong Kong erotic film, *Sex and Zen 3D: Extreme Ecstasy*, was reported to have had a strong opening in Taiwanese theaters.[387] The film, authorized to be dis-

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383 The TIPO, in 2008, issued a letter of explanation expressing agreement with leading scholars and experts that original adult films should be copyrightable regardless of whether their content falls into an obscene category. Kuo & Yen, *supra* note 378.

384 Wang Mei-Hua, the TIPO's director, however remained optimistic, stating that the Supreme Court's ruling had not yet become a settled law and the tide could turn in favor of porn film copyright protection in the future. *Porn Film Copyright Hinges on Court Ruling: Official*, THE CHINA POST (Apr. 15, 2010, 10:00 AM), http://www.chinapost.com.tw/taiwan/2010/04/15/252572/Porn-film.htm.

385 *See* CENT. BD. OF FILM CERTIFICATION OF INDIA, COMPARATIVE STUDY OF FILM RATING SYSTEM, *available at* http://cbfcindia.gov.in/CbfcWeb/fckeditor/editor/images/Uploadedfiles/file/Publications/rating_study.pdf (last visited Nov. 13, 2014).

386 In 2005, the Taiwanese film board passed *The Wayward Cloud*, an art film directed by Tsai Ming Liang, with its explicit sex scenes intact. *Editorial: The Cutting Edge of Film Censorship*, TAIPEI TIMES (Nov. 18, 2006), http://www.taipeitimes.com/News/editorials/archives/2006/11/18/2003336871 (commenting that pornography can be authorized for public consumption based on context). *The Wayward Clouds* became a rare Chinese-language hit in the country's box office, owing partly to its sexual explicitness. Chai-Chi Wu, *Festivals, Criticism and the International Reputation of Taiwanese New Cinema, in* CINEMA TAIWAN: POLITICS, POPULARITY AND STATE OF THE ARTS 75 (D.W. Davis & R.R. Chen eds. 2007).

387 Patrick Frater, *Sex and Zen Opens Strongly in HK, Taiwan*, FILM BUSINESS ASIA (Apr 18, 2011), http://www.filmbiz.asia/news/sex-and-zen-opens-strongly-in-hk-taiwan.

tributed in Taiwan under a restricted rating, contains a very strong sexual theme with one reviewer describing it as "venturing awfully close to torture porn on occasion."[388] Most reviewers of the film, however, concurred that *Sex and Zen*'s underlying message, "true love doesn't need sex" was given central stage in the film.[389]

c. Thailand

At the end of the spectrum in this group is Thailand. Thailand is another country that allows copyright protection for pornography within contexts approved by the relevant authorities, although much depends on the country's political climate. After the popular uprising in October 1973 that resulted in the end of the military dictatorship, Thai cinema entered a period of unprecedented freedom.[390] The erotic film genre was in full-bloom, and the industry produced many local hits from the period between 1974 and 1990.[391] As the market demanded increasingly stronger sexual content, the common practice among Thai pornographers was to remove sexually explicit portions from the film pending censorship — referred to by industry insiders as a "small reel" for its reduced content — only to reinsert them after the censorship board certified the film as appropriate for public display and distribution.[392] The film with its reinserted hard-core content would then be distributed to suburban theaters and love hotels.[393] Accordingly, during this period, it was not uncommon to see hard-core pornography being screened in theaters and love hotels around and outside of Bangkok.[394]

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388 Sukhdev Sandhu, *Cannes 2011 – Sex and Zen: Extreme Ecstasy Review*, THE TELEGRAPH (May 17, 2011, 11:15 AM), http://www.telegraph.co.uk/culture/film/cannes-film-festival/8518323/Cannes-2011-Sex-and-Zen-Extreme-Ecstasy-review.html.

389 *See, e.g.*, Zoe Li, *Movie Preview:"3D Sex and Zen" Is All About Abstinence*, CNN TRAVEL (Mar. 26, 2011), http://travel.cnn.com/hong-kong/play/movie-preview-3d-sex-and-zen-all-about-abstinence-427358.

390 Anchalee Chaiyaworaporn, *Thai Cinema and Social Reflection*, THAI FILM FOUNDATION (July 9, 2004), http://thaifilm.com/articleDetail.asp?id=11 (noting that after the popular uprising against the military regime in October 1973, Thai cinema was able to address social problems, such as prostitution, for the first time); Passawan Kornkochamas, *The Censorship of Thai Cinema Under the Motion Picture and Video Act of 2551 B.E.*, 6 MIS J. OF NARESUAN UNIV. 41, 42 (2010), *available at* http://www.bec.nu.ac.th/bpm/misjournal/files/1301977017jn6-1Web.swf (last visited Feb. 8, 2014).

391 Abhinan Bunrengpanao, *Tales of Ecstasy: Pornographic Scenes in Thai Movies*, MANAGER ONLINE (Aug. 5, 2010, 2:45 PM), http://www.manager.co.th/Entertainment/ViewNews.aspx?NewsID=9530000108366.

392 *Id.*

393 *Id.*

394 *Id.*

The pornographers' use of a small-reel strategy to evade censorship started to decline when, in 1987, the Supreme Court (Dika Court), handed down a decision involving a film called *Ataan Namman Prai* (*The Curse of Aphrodisiac*), holding that there can be no copyright in any work that violates the criminal obscenity statute,[395] Article 287 of the Thai Criminal Code.[396] The Court stated that: "[O]wnership in copyright can only exist in works which are created in accordance with the law. . . . Because the plaintiff's work violated [the criminal obscenity statute], the plaintiff cannot be a lawful copyright owner. Nor is he an injured person pursuant to the Criminal Code."[397] Although the Court did not explain the obscenity standard it used to arrive at the conclusion that *Namman Prai* was an obscene work,[398] there is no doubt that the film contains hard-core pornographic content — featuring portions showing male and female protagonists engaging in fellatio and penetrative sex — with nothing concealed or censored.

The *Namman Prai* case was one of the most significant copyright decisions in Thailand. The Court's holding was regarded as a judge-made doctrine, comparable to the common-law unclean hands, to the effect that Thai copyright law does not protect a work whose content contravenes the law. The *Namman Prai* decision has been cited in every copyright textbook in the country as creating an extra-statutory criterion of copyrightability in Thai copyright law.[399] The decision also raised a number of concerns regarding copyright protection of obscene or near-obscene works

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395 Dika Judgment No. 3705/2530 (1987) (Namman Prai case), 12 Dika Judgments of B.E. 2530, at 87-88, *available at* http://deka2007.supremecourt.or.th/deka/web/searchlist.jsp.

396 Article 287(1) of the Thai Criminal Code imposes up to three-year imprisonment for anyone who, for commercial purpose, or for further exhibition or distribution, "makes, produces, possesses, brings or causes to be brought into the Kingdom, sends or causes to be taken away, or circulates by any means whatever, any document, drawing, print, painting, printed matter, picture, poster, symbol, photograph, cinematograph film, noise tape, picture tape or any other thing which is obscene." Criminal Code of 1956 (as amended by 2008 Act), Royal Gazette No. 125/30, at 19, Feb. 7, 2008 (Thailand), *available at* http://web.krisdika.go.th/data/law/law4/%BB06/%BB06-20-9999-update.pdf [hereinafter Thai Criminal Code].

397 *Namman Prai*, Dika Judgment No. 3705/2530.

398 The Supreme Court simply observed that "the plaintiff's VDO tapes clearly contain sexual intercourse scenes between a man and a woman, which are obscene." *Id.*

399 *See, e.g.*, Orapan Panas-phatana, Copyright Law 51-52, 54-55 (5th ed. 2010) (describing obscene works as "inherently uncopyrightable" similar to non-original work); Was Tingsmith, Copyright Law: The Copyright Act with Explanations and Case Law 12 (4th ed. 2008) (referring to *Namman Prai*, Dika Judgment No. 3701/2530 as creating an extra-statutory exclusion of obscene works from copyrightability).

in Thailand. First, in the context of the Thai adult-film industry's small reel practice at the time of the decision, *Namman Prai* raised a possibility that an obscene work can lose its entire copyright protection even if the obscene portions can be removed therefrom without destroying the work's integrity.[400] Moreover, compared to Japanese and Taiwanese obscenity laws, which do not prohibit the making or production of obscene material, Thailand's obscenity law outlaws the mere act of creating a work having obscene content.[401] To be sure, the Thai Supreme Court has ruled that it is not a crime to create an obscene video for private viewing without an intent to further distribute.[402] But the Supreme Court apparently relied on the breadth of Thailand's criminal obscenity statute in concocting its own unclean hands doctrine — based on the property theory that is not so dissimilar to Justice Eyre's dictum in *Dr. Priestley's Case*. In other words, because copyright is of a commercial interest by nature, the *Namman Prai* decision does not only prevent a plaintiff from enforcing his copyright in court, but appears to flatly reject the existence of copyright in all obscene works.

The apparent consensus among Thailand's copyright scholars that Thai copyright law does not protect obscenity is, however, not as inflexible as it sounds. There are, in fact, several reasons to believe that pornography in Thailand can enjoy a certain degree of copyright protection. First, there is a view that Thai copyright law had become a content-neutral statute since the country joined the Berne Convention in 1931. When Thailand's first copyright statute, the Author's Ownership Act of B.E. 2444 (1901),[403] was amended in 1914,[404] the Legislature inserted a provision that disqualified books containing "profane matter, blasphemous matter or incitement to riot" from property ownership eligibility.[405] That content-based provision, however, disappeared when the country acceded to the Berne Convention and replaced the 1914 Act with the Literary Prop-

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400 Although the *Namman Prai* Court did not address this question, a respectable scholar-judge, Parinya Deepadung, provided a commentary at the end of the decision that copyright in non-obscene portions of the work should be severable from the non-protectable obscene elements — if doing so would not destroy the integrity or the essence of a film. *Namman Prai*, Dika Judgment No. 3705/2530 (commentary by Deepadung, J.).

401 Thai Criminal Code, *supra* note 396, art. 287.

402 Dika Judgement No. 2641/2531 (1988), *available at* http://deka2007.supremecourt.or.th/deka/web/searchlist.jsp.

403 Author's Ownership Act of B.E. 2444 (1901), Royal Gazette No. 18, at 286-88, Aug. 18, 1901 (Thailand).

404 Author's Ownership Amendment Act of B.E. 2457 (1914), Royal Gazette No. 31, at 462-70, Dec. 20, 1914 (Thailand).

405 *Id.* art. 15.

erty and Art Works Protection Act of B.E. 2474 (1931),[406] effectively ending the registration regime in favor of automatic protection. The legislative history of Thai copyright law, therefore, provides strong evidence against a judicially-fabricated exception to copyright protection regarding the nature of content.[407]

Second, the outcome of *Namman Prai* decision was influenced partly by the fact that the plaintiff was pursuing the defendant's criminal liability under the Copyright Act of B.E. 2521.[408] In Thailand, as in most developing countries that struggle to cope with ubiquitous copyright violations and unrestrained piracy, criminal copyright liability has always been copyright owners' most effective deterrent against infringers.[409] Criminal complaints took up a staggering 97.6% of the total number of cases filed at the country's Central Intellectual Property and International Trade Court (CIPIT) in 2012, down from 97.8% in 2011.[410] Because of Thailand's copyright enforcement culture, Thai pornographers typically face great difficulty convincing the courts that they are "injured persons" within the meaning of the country's Code of Criminal Procedure, as it is settled law that a person who performs a legally-prohibited act or an act violating *ordre public* or good morals does not have standing to sue in a criminal

406 Literary Property and Art Works Protection Act of B.E. 2474 (1931), Royal Gazette No. 48, at 127-46, June 21, 1931 (Thailand) [hereinafter Literary Property Protection Act].

407 One leading Thai copyright scholar, Dr. Pisawat Sukontapan, observes that there is no provision, under the current Copyright Act of B.E. 2537 (1994), which authorizes courts to impose a content-restricting interpretation on the scope of copyright protection. After exploring the entire legislative history of Thai copyright legislation, she concludes that the only way the courts could reject copyright in a work of an obscene nature under the Copyright Act 1994 is to rely on the language of Article 6 of the current statute, which stipulates that "copyright exists in creative works" — thus arguably implying that there would be no copyright in obscene or non-creative works. PISAWAT SUKONTAPAN, FUNDAMENTAL CONCEPTS IN THAI COPYRIGHT 27-29 (2009).

408 Dika Judgment No. 3705/2530 (1987) (*Namman Prai* case).

409 The United States Trade Representative (USTR) consistently assesses the level of intellectual property enforcement in targeted country based on the level of deterrent to piracy under their criminal laws. *See* OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE, 2013 SPECIAL 301 REPORT (May 2013), *available at* http://www.ustr.gov/sites/default/files/05012013%202013%20Special%20301%20Report.pdf.

410 CENT. INTELL. PROP. & INT'L TRADE CT. (CIPIT), ANNUAL STATISTICAL REPORT OF IP-RELATED LAWSUITS IN 2011–2012, *available at* http://www.ipitc.coj.go.th/system/staticcriminal/summarize_criminal54.pdf (last visited Feb. 7, 2014).

court.[411] However, if the plaintiff elects instead to instigate a civil infringement suit, the rules of criminal procedure will not apply to foreclose his ability to sue.[412] In principle, therefore, it could be argued that Thailand's copyright law does not bar an owner of obscene work from seeking recovery against an infringer in a civil infringement case.

Finally, although the Thai obscenity standard is professedly conservative,[413] Thai filmmakers are still able to incorporate strong pornographic elements into their films, provided that the films conform to the standards set by the government's film censorship board. In 2008, Thailand introduced, for the first time, the long-awaited rating system for films by virtue of the Motion Pictures and Video Act B.E. 2551 (2008).[414] The anticipation of some is that through a rating system, filmmakers and the film cen-

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411 *See, e.g.*, Dika Judgment No. 1043/2494 (1951) (holding that there is no standing (non-suit) in an embezzlement claim for a plaintiff who willingly participated in a corruption scheme by bribing an official).

412 The Thai Supreme Court has held that if the plaintiff chooses to instigate a criminal suit against an infringer, a court must apply the rules of criminal procedure *mutatis mutandis* — which can affect both the plaintiff's standing and his burden of proof. *See, e.g.*, Dika Judgment No. 4301/2543 (2000), *available at* http://deka2007.supremecourt.or.th/deka/web/searchlist.jsp (holding that because the plaintiff company induced the defendant to infringe its copyright, the plaintiff did not have a standing to sue pursuant to Article 2(4) and Article 28(2) of the Criminal Procedure Code, which regulates a criminal plaintiff's standing right); Dika Judgment No. 4085/2545 (2002), *available at* http://deka2007.supremecourt.or.th/deka/web/searchlist.jsp (holding that because the plaintiff company chose to pursue criminal liability against the infringer, the plaintiff must prosecute its case in accordance with the rules of criminal procedure).

413 The first Supreme Court decision that laid down an obscenity standard for the Thai Criminal Code is Dika Judgment No. 978/2492 (1949). In that decision, the Supreme Court held that a publication/depiction is obscene if it is "sexually shameful to look at or shockingly immoral as opposed to the artistic conception of aesthetics." The Court nevertheless observed that: "whether [a depiction] should be considered artistic or obscene depends on the view of a reasonable person who is not too conservative or so inflexible as to refuse to go along with the contemporary world." Dika Judgment No. 978/2492 (1949), *available at* http://deka2007.supremecourt.or.th/deka/web/searchlist.jsp. Over the years, the Supreme Court has focused on whether a work intended to invoke lustful thoughts in viewers, rather than paying attention on the work's artistic merits, as the main indication for obscenity. *See, e.g.*, Dika Judgment No. 6301/2533 (1990) (holding that a depiction of a naked woman in sexually provocative postures was obscene, even if her genital area was not explicitly displayed). However, in the past twenty years, the Court has not declared anything less than hardcore pornographic videos to be obscene. *See, e.g.*, Dika Judgment No. 1744/2544 (2001); Dika Judgment No. 1552/2546 (2003).

414 Motion Picture and Video Act of B.E. 2551 (2008), Royal Gazette No. 125/42(kor), at 116, Mar. 4, 2008 (Thailand), *available at* http://web.krisdika.

sorship board (the Film Committee) will be able to communicate and exchange views regarding the director's intention and what constitutes objectionable content for a certain class of viewers.[415] In this way, a film containing some nudity or excessive violence could be released unedited, but assigned a 13+, 15+, 18+ or R20+ rating according to its content.[416] As it turned out, however, the new system leaves much to be desired, as the Motion Picture Act combines a new rating system with the old censorship regime,[417] thus allowing the Film Committee to ban a film from being publically distributed or displayed altogether.[418]

Ironically, while the "prohibited rating" caused great consternation among Thai film-makers, it also forced the government to be more precise with regard to the acceptable level of nudity allowed in Thai cinematography. In 2009, the Ministry of Culture issued a ministerial regulation clarifying the scope of what is to be considered prohibited in Thai cinema.[419] With regard to sexually-related content, the ministerial regulation described two categories of film that cannot be authorized for public screening: 1) films that are concerned primarily with sexual intercourse; and 2) films that depict sexual acts with the genital(s) in clear view.[420] In principle, therefore, the 2009 Film Regulation generally allows nudity and strong sexual scenes, with genitals concealed, to be viewed by audiences who are eighteen years old or older.[421] In 2012, the Film Committee surprised its critics by passing *Jan Dara*, a two-part erotic masterpiece with

go.th/data/law/law2/%C008/%C008-20-2551-a0001.pdf [hereinafter MPVA 2008].

415 *The Rights of Thai Cinema: A Censored Media*, MANAGER ONLINE (June 3, 2013, 8:19 PM), http://www.manager.co.th/AstvWeekend/ViewNews.aspx?NewsID=9560000066769.

416 MPVA 2008, *supra* note 414, art. 26.

417 The MPVA replaced the Motion Picture Act of 2473 B.E. (1930), which was essentially a censorship system. The idea of having a movie rating system had been proposed in Thailand since the 1990s, but only materialized when the National Legislative Assembly — the interim Legislature that replaced the Thai Parliament after the 2006 military coup — passed it in 2008. Kornkochamas, *supra* note 390, at 42.

418 MPVA 2008, *supra* note 414, art. 26(7). Most film producers and directors expressed the same view that the MPVA is no less a censorship law than its predecessor, and that the Film Committee's ability to ban films marginalizes the democratic process of allowing the viewers to judge for themselves. Kornkochamas, *supra* note 390, at 45-46.

419 Ministerial Regulation on the Nature of Film B.E. 2552, Royal Gazette No. 126/52(kor), at 13-16, Aug. 10, 2009 (Thailand) [hereinafter Film Regulation 2009].

420 *Id.* § 7.

421 *Id.* §§ 5-6.

scenes of explicit nudity and violent sex, virtually unedited.[422] It has been observed that Thai pornographic films in the past were severely censored because of their lack of plot, which caused them to be looked upon as vulgar products that compensate for their lack of artistic value with licentious depictions of sex.[423] Films with more engaging plots and with sufficiently high production values are more likely to pass the censorship hurdles.[424] One study revealed that the Film Committee is supportive of erotic films having ethical messages or a higher artistic goal of earning international recognition, as opposed to films which simply relying on their sexually- explicit content to churn out profits.[425]

IV. THE BERNE CONVENTION AND THE PUBLIC POLICY GROUND

The public policy ground, or unclean hands defense, continues to stand as a great enigma in our modern copyright system. While nobody is sure about the doctrine's validity, copyright systems in many countries appear unwilling to part ways with it, albeit tentatively and hesitantly. Indeed, few courts and scholars feel obliged to investigate the soundness of the public policy ground and how it cogently comports with the international standard of copyright protection. Since the Berne Convention's Berlin Revision in 1908, the international protection of copyright ceased to be subjected to formalities, and protection commenced immediately from the time of creation.[426] The whole global copyright regime, as a result, started to distance itself from the governments' schemes of content restriction and control. Paradoxically, the public policy ground, as a legal doctrine that enables courts to remove copyright ex-post, continues to function largely unchallenged into the twenty-first century, as the content-based condition of copyrightability. In this Section, we shall explore the

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422 *Jan Dara Passed Censorship Rated 18+*, KAPOOK.COM (Sept. 19, 2012), http://movie.kapook.com/view45987.

423 Bunrengpanao, *supra* note 391. In a recent study, which features a series of interviews with members of the Film Committee, the Committee expressed positive views regarding the future of erotic movies in Thailand, but felt that a lack of production quality in this genre is being compensated too heavily by offensive pornography and vulgar sex scenes. Jira Jantachote, *Stakeholders Opinions Concerning to the Erotic Movies Rating in the Film and Video Act A.D. 2008*, 4) JC-J. OF THAMMASAT UNIV. 92, 101 (2011), *available at* http://digi.library.tu.ac.th/thesis/jc/1987/title-biography.pdf.

424 Jantachote, *supra* note 423, at 101-02.

425 *Id.*

426 For discussion of the Berne Convention and the global regime of automatic copyright protection, see, e.g., Stef Van Gompel, *Formalities in the Digital Era: An Obstacle or Opportunity?*, *in* GLOBAL COPYRIGHT: THREE HUNDRED YEARS SINCE THE STATUTE OF ANNE, FROM 1790 TO CYBERSPACE 395-424 (Lionel Bently et al. eds., 2010).

relationship between the Berne Convention and the public policy ground in order to see whether Berne countenances the judicially-created doctrines and rationales that reject copyright in obscene or illegal works.

A. The Public Policy Ground and Berne's Prohibition of Copyright Formalities

The Berne Convention prohibits all formalities that precondition the existence and enjoyment of copyright.[427] According to recent scholarship on the Berne Convention and copyright formalities, the original Berne Act of 1886 allowed countries to impose both "external" and "internal" conditions upon authors and when non-compliance would place a work in public domain.[428] Whereas external conditions of copyright protection generally refer to formalities such as deposit and registration, internal conditions —originally termed *conditions internes* by the German delegations during the 1908 Berlin conference[429] — establish the modalities and intrinsic qualities of works eligible for copyright protection.[430] The most obvious examples of the latter type of conditions are the requirements of originality, the idea/expression dichotomy, and the public disclosure of an author's name as a condition for receiving a longer term of protection.[431] Generally, internal conditions can affect the quality and boundaries of

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427 Article 5(2) of the Berne Convention stipulates that:

> The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.

Berne Convention, *supra* note 2, art. 5(2).

428 VAN GOMPEL, *supra* note 167, at 186. The original formality provision, Article 2(2), of the Berne Convention of 1886 states that: "The enjoyment of these rights shall be subject to the accomplishment of the *conditions* and *formalities* prescribed by law in the country of origin of the work. . . ." THE BERNE CONVENTION CENTENARY: 1886-1986, THE BERNE CONVENTION FOR PROTECTION OF LITERARY AND ARTISTIC WORKS FROM 1886 TO 1986, at 228 (1986) [hereinafter BERNE CENTENARY] (emphasis added). Because of this language, some commentators argued that the original draftsmen must understand the term "conditions and formalities" to cover both "formal and substantive prerequisites for the *genesis* of the right of the author." WILHELM NORDEMANN ET AL., INTERNATIONAL COPYRIGHT AND NEIGHBORING RIGHTS LAW: COMMENTARY WITH SPECIAL EMPHASIS ON THE EUROPEAN COMMUNITY 77 (1990).

429 VAN GOMPEL, *supra* note 167, at 186.

430 *Id.* at 187.

431 *Id.* at 189.

copyright without directly disturbing the existence of copyright itself.[432] Because of the Berne Convention's inherent philosophy of preserving the Members' legislative autonomy,[433] when the Berlin Revision of 1908 finally did away with the formalities requirement for international protection of copyright, internal conditions that only modify the substantive content of copyright protection were thought to be excluded from the Berne's prohibition of formalities.[434]

The pertinent question here is whether the public policy ground that excludes works from protection — based on the works' immoral tendency or illegality — is among the formalities prohibited by Berne. According to Van Gompel, it may indeed be possible to classify a country's morality norm as one of the *conditions internes* — basic conditions or contingencies affecting only the substantive quality and/or extent of protection and which are deemed to be outside Berne's prohibition on formalities.[435] The text of the Berne Convention's Article 5(2) itself is strongly supportive of considerable freedom in which contracting states can subject "extent of protection" and means of redress to national legislation.[436] The latter part of Article 5(2) of the Berne Convention states: "Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed."[437]

Unfortunately, there is still no definitive answer as to whether the public policy doctrine can correctly be regarded as "*conditions internes*" that can change or affect the contours or extent of copyright protection in obscene or immoral works.[438] In 2009, this question was presented to the

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[432] *Id.* at 186-87.

[433] *See* Ginsburg, *supra* note 14, at 268-72 (noting that one of the hallmarks of the Berne Convention is its "pragmatic" feature which allows members' legislative autonomy in some areas).

[434] VAN GOMPEL, *supra* note 167, at 188-89.

[435] *Id.* at 192, 197-98 (noting that the wide adoption of some forms of the public policy doctrine among Berne's contracting states is indicative of this possibility).

[436] *Id.* at 193. The latter part of Article 5(2) of the Berne Convention is generally understood to be the textual basis of the independence of protection doctrine.

[437] Berne Convention, *supra* note 2, art. 5(2).

[438] Should it be accepted that the public morality or legality of content are *conditions internes* that establish substantive conditions for protection, then the rules that allow courts to exercise discretion in rejecting or modifying copyright protection ex-post, such as the Article of China's Copyright Act or Section 171(3) of the UK's CDPA, are likely to be permissible under the Berne Convention's framework. *See* VAN GOMPEL, *supra* note 167, at 197-98.

Dispute Settlement Body of the WTO in the *China-IP Rights* case, when the United States Trade Representatives (USTR) asked the Panel to hold that China's pre-publication censorship regime — along with the first paragraph of Article 4 of the Chinese Copyright Act — was incompatible with the Berne Convention's non-formalities rule under Article 5(2).[439] While the outcome of *China – IP Rights* favored the United States, the WTO Panel refused to determine whether China's content restriction measures constituted formalities within the meaning of Article 5(2).[440] Apparently, the Panel viewed China's comprehensive censorship regime to be in conflict more directly with Article 17 of Berne rather than its non-formality provision under Article 5(2). Nevertheless, in holding that China's copyright law was inconsistent with Article 5(1) of the Berne Convention, the Panel indicated that Berne's contracting states are obliged to provide a system of content-neutral protection to eligible work. Specifically, the Panel rejected China's contention that publications whose contents were illegal under China's law could not constitute "works" within the meaning of Berne's Article 5(1) and Article 2(1).[441]

On the face of it, *China – IP Rights* appears to say nothing about the judicial application of the public policy exception to restrict copyright enforcement. The U.S. delegation deliberately left the remaining paragraph of the Article 4 of the Chinese law — which establishes a public policy ground for rejection of copyright based on the objectionableness of a work's content — unchallenged.[442] Does this mean that the USTRs themselves did not think that a provision asserting the validity of the public policy ground should be viewed as the very formalities that Berne was designed to eliminate? Despite not being asked to solve this puzzle, the WTO Panel in *China – IP Rights* noted that the second paragraph of Article 4 "may already address China's public policy concern with respect to some of these rights."[443] Furthermore, the Panel opined that "[the second paragraph] does not deny copyright protection but . . . obliges copyright owners and authorized parties to respect the law in the exercise of their rights."[444] For the Panel, the deference to be given law enforcement certainly included submitting to a country's content inspection and censorship

439 CHINA – IP RIGHTS, *supra* note 337, ¶¶ 3.1(c), 7.145.

440 *Id.* ¶¶ 7.145–7.153 (invoking judicial economy on the grounds that Article 4(1) of China's Copyright Act had already been ruled to be inconsistent with Article 5(1) of the Berne Convention).

441 *Id.* ¶¶ 7.115–7.117 (holding that China's censorship regime discriminates against an extremely wide array of content that encompasses "works" within the meaning of Article 2(1) and 5(1) of Berne).

442 *See* Executive Summary of the First Written Submission of the United States. *Id.* at A-2.

443 *Id.* ¶ 7.129.

444 *Id.* ¶ 7.130.

procedures.[445] But this passing remark leaves open a possibility that public policy provisions such as the Article 171(3) of the UK's CDPA 1988 may be vulnerable to attack if there is any evidence that courts have used it to deny copyright protection.

On an encouraging note, the *China – IP Rights* Panel seemed to regard an evidence of judicial rejection of copyright in works that failed to pass content-screening processes as determinative of a country's non-compliance with Berne's mandate. The Panel treated the Supreme People's Court's commentary on the Article 4(1) of China's Copyright Act as supplying conclusive evidence that said article was inconsistent with Article 5(1) of Berne.[446] In addition, the Panel rejected China's assertion that the concepts of "copyright" and "copyright protection" are distinguishable,[447] and that restriction of the latter does not imply that the former is not protected.[448] It is possible, therefore, to draw a corollary that the public policy doctrine, which allows courts to go so far as rendering copyright protection in obscene or immoral works irrelevant, would also be inconsistent with Article 5(1) of the Berne Convention.[449]

B. Possible Guidance from Comparative Legislative History

The contention that courts of the members of the Berne Union should exercise the public policy exception in accordance with the international framework of copyright protection has been explored by a Canadian case, *Aldrich v. One Stop Video, Ltd.*, discussed *supra*.[450] In *Aldrich*, the Supreme Court of British Columbia was heavily influenced by the legislative history of the Canadian copyright laws of the period just before the country formally acceded to the Berne Convention. The enactment of the Copyright Act of 1921,[451] which came into force in 1924, repealed the discriminatory provision of the previous Copyright Act of 1868 which precluded from copyright eligibility works of "immoral or licentious, treason-

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445 *Id.* ¶¶ 7.126–7.129.

446 *Id.* ¶¶ 7.52–7.60 (referring to Letter of Supreme People's Court on the Copyright Infringement Dispute Case *Zheng Haijin v. Xu Zheng Xiong and Tianjin People's Publishing House*, Mar. 9, 2000, Zhi Jian Zi, [1998] No. 33).

447 CHINA – IP RIGHTS, *supra* note 337, ¶¶ 7.21, 7.146 (arguing that Article 4(1) only denied "particularized rights of private copyright enforcement," and not to remove copyright).

448 *Id.*

449 Article 5(1) states that: "Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention." Berne Convention, *supra* note 2, art. 5(1).

450 [1987] 13 B.C.L.R. (2d) 106 (Can.).

451 Copyright Act of 1921, S.C. 1921, c. 24 (Can.).

able or seditious [nature]."[452] The *Aldrich* court viewed the adoption of the 1868 Act as replacing the common law denial of copyright — based on the unclean hands doctrine — as developed by courts in the UK with a statutory ground of rejection.[453] The enactment of the subsequent 1921 Act was held to have the effect of eliminating that doctrine altogether.[454] However, Justice Davies believed that the general doctrine of unclean hands was not affected by the 1921 legislative action — thus leading to his conclusion that the courts may still exercise equity's refusal of assistance to persons asserting copyright in obscene works.[455]

With regard to the meaning of Article 17 of the Berne Convention, the *Aldrich* court observed that the Convention does not allow a per se denial of copyright in certain works based on their contents.[456] In his analysis, Justice Davies did not believe that Berne's Article 17 addressed the issue of local courts exercising public policy doctrines in copyright infringement cases.[457] *Aldrich* simply held that Article 17 is a broad provision supporting an exercise of censorship power by the Members' governments, and that such power had been exercised in Canada through various criminal offenses that restricted speech and publication.[458] Thus, according to *Aldrich*, while Article 17 of the Berne Convention does not permit courts to reject out-of-hand copyright in obscenity, there is nothing in that Article that prevents local courts from applying principles of public policy to modify statutory remedies a plaintiff may otherwise be entitled to.

The *Aldrich* court's reading of Article 17 of Berne and the legislative history of Canada's Copyright Act certainly shaped the outcome of the case. It showed that courts can find a useful guideline for applying the country's public policy doctrine from the international framework of copyright protection. Like *China – IP Rights*, the *Aldrich* court's investigation regarding the validity of the public policy exception was based on the censorship-power provision of Berne rather than the prohibition of formalities under Article 5(2).[459]

Interestingly, *Aldrich*'s discussion of the history of Canadian copyright law finds an analog in Thailand's copyright legislative history, also discussed *supra*. The similitude of legislative choice when the lawmakers

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452 Copyright Act of 1868, S.C. 1868, c. 54, art. 3 (Can.), *available at* https://archive.org/details/cihm_55558.

453 *Aldrich*, [1987] 13 B.C.L.R. ¶¶ 64–65.

454 *Id.*

455 *Id.*

456 *Id.* ¶¶ 70–71.

457 *Id.* ¶ 71.

458 *Id.* ¶ 72.

459 *Id.* ¶¶ 67–74.

in both countries modernized their copyright laws — by replacing a system of literary protection that excluded obscene, blasphemous, immoral or subversive works from copyright eligibility with a content-neutral system of protection — at the period just before they became contracting parties of the Berne Union gave us a valuable insight regarding the meaning of Berne's Article 5(1). Above all, it demonstrates that the *China – IP Rights* Panel was correct in holding that the Berne Convention does not allow its Members to use public morality and other censorship criteria as threshold conditions for the genesis or vesting of copyright.[460] Furthermore, the *Aldrich* court noted that Article 17 of the Berne Convention — if read correctly — only allows Berne members to restrict sale and distribution of certain works, a scheme which could be much more effectively addressed by enacting criminal law offenses rather than by suppressing copyright in otherwise eligible works.[461] In short, from the Canadian and Thai experience, China's pre-2010 Copyright Act was also a pre-Berne copyright regime.

C. A Suggested Approach

The scope and extent of the public policy doctrine differs greatly from one country to another. To that extent, it remains one of the most important obstacles that stand between trade protectionism and the truly global protection of copyright. As we have discussed, the question of whether the denial of protection — based on morality norms or censorship laws — actually constitutes formalities for the enjoyment and the exercise of the rights sanctified in Berne is still being debated at the academic level;[462] and any dispositive answer in this matter could not be expected in the foreseeable future. A more important objective, then, is how to reconcile

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460 *See* CHINA – IP RIGHTS, *supra* note 337, at ¶¶ 7.115–7.117.

461 *Aldrich*, [1987] 13 B.C.L.R.¶ 72.

462 For example, in *China – IP Rights*, Canada submitted as a third party an argument that China's censorship measures constituted formalities within Article 5(2) of the Berne. Specifically, Canada contended that China's imposing of administrative obligations — for exporters or importers to obtain approval to publish and distribute works — must be understood as copyright formalities, since failure to comply with them will lead to the loss of copyright or copyright-related protection; whereas Article 2 of China's Copyright Act provides automatic protection to Chinese citizens irrespective of publication. *China – IP Rights*, *supra* note 337, Annex C-22 (Executive Summary of the third party submission by Canada). Brazil, on the other hand, contended that Berne's prohibition on formality is directly related to the principle of "automatic protection." However, the latter is a flexible concept which, in turn, must be subject to the consideration that copyright protection is territorial in nature. *Id.* at Annex C-19 (oral statement by Brazil).

the public policy ground with what we have learned so far from the WTO Panel's interpretation of the Berne Convention.

On one hand, it has been suggested that any exception to copyright enforcement must be in line with the rules regarding limitations and exceptions under Berne and TRIPs. The Berne Convention's rules of limitation and exceptions — better known as the three-step test — are contained in Article 9(2) which states that:

> 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.[463]

The Berne three-step test begins with the mandate that all exceptions to exclusive rights of copyright holders must be "a matter for legislation" and then confines the extent of those limitations to certain specific cases of "reproduction" that do not conflict with reasonable exploitation by the author. Article 13 of the TRIPs Agreement adopted the language of Berne's rule almost precisely, but expands it to cover exceptions that go beyond the mere act of reproduction.[464] When read together, countries who are contracting states to both Berne and TRIPs have greater freedom — compared with a country who is only a party to Berne — to adopt exceptions to exclusive rights, but are required to enact clear statutory provisions to that effect. But it is still not clear from these provisions that Berne and TRIPs in fact allow a defendant to invoke a public policy defense against copyright enforcement. In *China – IP Rights*, the European Community submitted arguments as a third party, opposing China and contending that: "there is no provision [in the Berne Convention] allowing exempting works of 'illegal content' from copyright protection. Nor is it covered by the provisions in the Berne Convention, such as Articles 9(2), 10 or 10*bis* . . ., or by Article 13 of TRIPs."[465] In other words, a strict textual interpretation of Berne and TRIPs does not seem to allow local courts to flex their judicial muscles to subject certain creative works to arbitrary extra-statutory exceptions.

Professor Jeremy Phillips, one of the first academics to explore the relationship between the public policy defense and the Berne Convention, observed that — although Berne recognizes public interest in cases where the benefits of public dissemination clearly outweigh private rights[466] — nothing in the Convention allows exclusive rights to be truncated without

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463 Berne Convention, *supra* note 2, art. 9(2).

464 TRIPs Agreement, *supra* note 14, art.13.

465 China – IP Rights, *supra* note 337, at C-29 (Executive Summary of the Third Party Submission by the EU).

466 *See* Berne Convention, *supra* note 2, arts. 2(4), 2*bis*, 9(2), 10(2), 10*bis*.

being so expressed in a member's copyright legislation.[467] In contrast to Berne's precise mandates, Phillips found the British case law regarding public interest to be "an accident in the sense that it was not planned by the legislature; nor was it foreseen or contemplated when the question of UK obligations under the Berne Convention was considered."[468] Moreover, an application of public interest exceptions that is in-line with Berne's framework would not consider any use within that exception to be an infringing act. Thus, it is inconceivable that Berne would allow an infringer to raise a defense on the basis of general public good to exonerate his illegal action.[469] Allowing an infringer to do so would be a dilution of copyright, and Philips suggested that even Article 17 of the Berne Convention cannot be claimed to support such dilutions of copyright.[470] This observation is in accord with the Panel's finding in *China – IP Rights*.[471]

On the other hand, even if, as *China – IP Rights* suggested, Berne and TRIPs do not object to the use of morality norms or other public policy grounds in demarcating the perimeter of how copyright should be exercised and enjoyed,[472] the limitations must still not be so excessive as to interfere with the reasonable interests of the copyright owner. The traditional doctrine of unclean hands, on the contrary, provided courts with unqualified discretion with respect to how to treat a work whose content is immoral or constitutes a violation of the law. A court, for example, may simply declare that there is no copyright in obscene or illegal works — as did the judgments in *Glyn* and the *Spycatcher* case.[473] Nevertheless, the fact that the public policy ground exists, in one form or another, in virtually all jurisdictions around the world makes it difficult to just unceremoniously reject it as invalid or obsolete. An alternative approach to the public policy ground is therefore needed to furnish courts with a better option when attempting to modify legal remedies in infringement disputes that involve obscene or illegal works.

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467 Phillips, *Berne Convention*, *supra* note 53, at 114.

468 *Id.* at 113.

469 *Id.* at 110-11 (observing that the Berne Convention, "has not explicitly permitted an individual to rely on the greater benefit of the public as a defence [sic] to copyright infringement.").

470 *Id.* at 113.

471 CHINA – IP RIGHTS, *supra* note 337, ¶ 7.132 (noting that there is no reason to suppose that the censorship power under Berne's Article 17 will eliminate all aspects of copyright entirely with respect to a work that failed to pass censorship).

472 *Id.* ¶¶ 7.131–7.132 (agreeing with the WIPO's *Guide to the Berne Convention* that: "[a]uthors may exercise their rights only if that exercise does not conflict with public order.") (citing CLAUDE MASOUYE, GUIDE TO THE BERNE CONVENTION ¶ 17.2 (1978)).

473 Glyn v. Weston Feature Film Co., [1916] 1 Ch. 261; Attorney General v. Guardian Newspapers, Ltd. (No. 2), [1990] 1 A.C. 109 (H.L.).

This article proposes that the correct option should be a mixed approach between the *China – IP Rights* decision and the Supreme Court of British Columbia's judgment in *Aldrich*. Pursuant to the *China – IP Rights* Panel and the *Aldrich* court, judicial application of public policy exceptions is permissible so long as it does not impinge on the existence of copyright per se. For that matter, Berne's contracting states must understand that Article 5(1) of the Convention obliges them to provide content-neutral recognition of copyright in works protected under the Convention. The principle of public policy can be invoked to "oblige copyright owners and authorized parties to respect the law in the exercise of their rights."[474] Authors and creators must, therefore, comply with local content regulations, which involve submitting works for content inspection and determination of whether they are fit to be disseminated for public consumption.[475] However, it is common sense that while inability to publish locally may affect the work's term of protection, it will not impinge on the copyrighted status of the work concerned.[476] Thus, when an owner of an allegedly infringed work has shown a likelihood of success on the merits that he/she is likely to suffer irreparable harm, an injunction could always be granted to the plaintiff in infringement cases.

Under the *Aldrich* approach, copyright holders who are more concerned with the unchecked piracy of their intellectual property rather than damages, should not be denied injunctive relief by the courts.[477] In *China – IP Rights*, the Panel rejected China's argument — that the public interest necessarily trumps private interests in copyright — by noting that "an exclusive right of authorizing necessarily entails the right to prevent others from carrying out the [unauthorized acts]. China is unable to explain why censorship interferes with copyright owners' rights to prevent third parties from exploiting prohibited works."[478] This approach is not inconsistent with the U.S. Supreme Court's 2006 ruling, in *eBay, Inc. v. MercExchange, LLC*,[479] which held that courts must apply the traditional four-factor analysis when a plaintiff is seeking a permanent injunction against an unauthorized use of his intellectual property. After all, the last factor — that "the public interest would not be disserved by a permanent injunction"[480] — is likely to be satisfied when the work being infringed contains material that could do harm to the public. As the *Aldrich* court concluded, if the appli-

474 China – IP Rights, *supra* note 337, ¶ 7.130.

475 *Id.* ¶ 7.129.

476 For contemporary copyright law, see, e.g., CDPA 1988, *supra* note 19, art. 13A(2)(b).

477 Aldrich v. One Stop Video, Ltd., [1987] 13 B.C.L.R. (2d) 106, ¶ 129.

478 China – IP Rights, *supra* note 337, ¶ 7.133.

479 547 U.S. 388 (2006).

480 *Id.* at 391.

cable principles do not support any denial per se of the existence of copyright, "there is no reason why the pirating of an author's work should not be restrained by injunction."[481]

Furthermore, *Aldrich's* approach, which is also adopted in the Australian case *Venus Shops,*[482] plays down the importance of whether a work is considered obscene or illegal under local laws. Should it be the case that the work is prohibited from distribution because of its unlawful content, the plaintiff's right to damages may be foreclosed on the grounds that he is unable to prove that his work can be legally marketable.[483] As we have seen, the consequence of using mixed deterrents to address copyright piracy problems is often unclear. On one hand, the threat of criminal punishment outside copyright law can help to curb the rampant piracy of pornographic materials. On the other hand, to encumber copyright protection with obscenity prosecutions poses a great burden on freedom of speech by creating modern precedent to support enforcement of a country's archaic obscenity statutes — a relic best left to be forgotten with time. The real advantage of the *Aldrich* approach is that it provides courts with a better alternative than the property theory, which generally leads courts to concoct a legal fiction that copyright law does not protect contrabands.[484] Additionally, this approach grants an owner of obscene work an opportunity to prove that the obscene elements could be severed from a work without destroying its ability to be commercially exploited.[485] The approach used by the *Aldrich* and *Venus Shops* courts thus offers a means for courts to make an objective assessment of the plaintiff's right without modifying the threshold standard of copyright protection.

Finally, under *Aldrich*'s approach, while the obscenity defense is eliminated and damages are considered a matter of proof, the court did not entirely foreclose any application of general principles of unclean hands in a copyright dispute.[486] Like the Fifth Circuit's position in *Mitchell Broth-*

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481 *Aldrich*, [1987] 13 B.C.L.R. (2d) ¶¶ 114, 119.

482 Venus Adult Shops Pty, Ltd. v. Fraserside Holdings, Ltd., 157 F.C.R. 442, 471 (Austl.).

483 *Aldrich*, [1987] 13 B.C.L.R. (2d) ¶¶ 117–118.

484 *See, e.g.*, Thai Supreme Court Decision in *Namman Prai*, *supra* note 395 (holding that there is no copyright in a work that was created in violation of the law).

485 *Aldrich*, [1987] 13 B.C.L.R. (2d) ¶ 118.

486 *Id.* ¶¶ 101–110 (determining that there are two identifiable doctrines of public policy applicable in a copyright infringement case: the first refuses to recognize compensable loss of anticipated profits from illegal acts; the second refuses to allow unanticipated or windfall profit from the illegal acts of others).

ers,[487] *Aldrich* allows unclean hands to be invoked to address certain cases of copyright misuse. For example, in *Aldrich*, the court refused to grant the plaintiffs' claim seeking an accounting for profits against the defendants. This remedy requires a defendant who has wrongly received or withheld profits from property to account for these ill gains to the plaintiff.[488] The court, however, determined that, because the profits made by the defendants were made in violation of a criminal statute prohibiting distribution of obscene materials,[489] the court would not assist the plaintiffs with respect to these profits.[490] Furthermore, Justice Davies believed that courts may withhold statutory damages when a defendant "appear[s] to have had a reasonable belief . . . that the plaintiff did not have an enforceable property right in their obscene works."[491] *Aldrich*'s position could be analogized to empower courts to intervene against pornographers who — without engaging in commercial sales of their own products — rely on the threat of statutory damages to force alleged infringers into expensive settlements. Courts could therefore allow victims of copyright trolling practice, as in the case of *Liuxia Wong*, to avail themselves of the benefits of public policy doctrines without having to ruin the copyright owner's entire property interest.

V. CONCLUSION

The public policy ground as a defense to a copyright infringement lawsuit — although it exists in many forms depending on the rationale supporting its application — has been applied by courts all over the world. The doctrine attests to the historical role of the courts in shaping the contours of the modern copyright system in its nascent stage. As copyright laws became more and more statutorily defined in their scope and content, the judicial endorsement of the public policy ground ceased to have any clear connection to the goals of the copyright system, other than to preserve the courts' integrity. In this regard, the survival of the public policy ground can be attributable to two distinctive aspects of modern copyright. On one hand, there has been a suggestion that copyright is more con-

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487 Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852, 865 (5th Cir. 1979).

488 *Aldrich*, [1987] 13 B.C.L.R. (2d) ¶ 120.

489 *Id.* ¶¶ 114–115 (citing Section 159 of the Canadian Criminal Code).

490 *Id.* ¶¶ 106–109, 121 (stating that because the defendant had admitted the criminal acts of reproducing obscene material, the plaintiff may not seek to take advantage of another's illegal act). At the first glance, the *Aldrich* court's position may appear to be prejudiced against the plaintiffs' reasonable copyright interests. However, this outcome must be viewed against the fact that plaintiffs failed to prove that their works were capable of being purged of obscene elements.

491 *Id.* ¶ 126 (rejecting the plaintiffs' claim for exemplary damages).

cerned with the incentive to create than assisting the control of dissemination through injunction.[492] Benthamite utilitarianism must therefore give way to the policy that state and judicial institutions will not countenance, nor will they encourage, production of works with an immoral tendency or suspected illegality.[493] On the other hand, the introduction of automatic protection (non-formality) — a feat accomplished by the Berne Convention as revised in 1908 — renders governments unable to impose specific examination so as to precondition the grant of rights on the proviso of moral conformity.[494]

From the mid-1970s onward, American courts have steadily dismissed the unclean hands doctrine as being incompatible with the objectives and the philosophy of copyright protection. The Fifth Circuit's *Mitchell Brothers* decision revolutionized contemporary thinking about the public policy doctrine and has had a lasting influence on subsequent copyright disputes both within the United States and elsewhere. Nevertheless, because unclean hands and the public policy ground originated from the same general common law maxim that applies everywhere in law, it is difficult to contend that they are entirely irrelevant to how the courts should assist a plaintiff in enforcing his or her copyright in infringement suits. Indeed, there can be instances where the principles of public policy can be used to further the goals of copyright protection as well as to preserve the integrity of the courts.

This article concludes that, despite American courts' bold rejection of the public policy defense, the recent interpretation of the Berne Convention and the TRIPs Agreement by the WTO Panel appears to acknowledge that contracting states may oblige copyright owners to comply with certain principles of public policy. Whether or not a content-based threshold of copyrightability constitutes an impermissible formality under Berne is still being debated at an academic level, and consensus in this respect remains unlikely. However, it is clear that the automatic protection requirement under Article 5(1) of the Berne Convention demands a content-neutral regime of copyright protection. Thus, so long as copyright protection is afforded to all eligible works without discriminating against their content, courts may subject the remedies available to plaintiffs to considerations of public policy.

The correct approach suggested by this article is — according to the British Columbia Supreme Court in *Aldrich v. One Stop Video, Ltd.*[495] — to allow a plaintiff a maximum right to request injunctive relief, but to treat monetary damages as a matter of proof. *Aldrich* is unique for being

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[492] BENTLY & SHERMAN, *supra* note 110, at 118.
[493] Davies, *supra* note 69, at 5.
[494] *Id.*
[495] [1987] 13 B.C.L.R. (2d) 106 (Can.).

the only decision that examined the public policy doctrine in light of Article 17 of the Berne Convention as well as Canadian copyright legislative history just before the country's accession to the Berne Union. *Aldrich*'s approach appears to anticipate the WTO Panel's ruling in *China — IP Rights*. It reconciles countries' diverse and multifarious public policy concerns and content regulations by placing the utilitarian aspect of the plaintiff's ability to control dissemination and the incentive to create on a level ground. This approach also liberates courts from the absurd situation where a denial of copyright leaves a person having a statutorily-protected proprietary right with the risk of being subject to criminal prosecution.[496] Finally, the suggested approach allows courts to invoke unclean hands or the public policy doctrine to address certain instances of copyright misuse — thus allowing the doctrine to be used consistently with the objectives of the modern copyright system.

496 This absurd situation has been addressed by many commentators on this topic. *See, e.g.*, Alexander, *Evil Eulogy*, *supra* note 24, at 212-14.

PART II

RECENT DEVELOPMENTS IN COPYRIGHT

"RECENT DEVELOPMENTS IN COPYRIGHT" SELECTED ANNOTATED CASES

by THOMAS KJELLBERG

WITH

SCOTT CERESIA
BRIDGET CRAWFORD
ARYN EMERT
ROBERT ENGLISH
SERGE KRIMNUS
LINDSAY RODMAN
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These annotations cover cases reported since our report at the 37th Copyright Society Annual Meeting of 2013.

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I. JURISDICTION AND PROCEDURAL ISSUES

A. Subject Matter Jurisdiction

Andrews v. Daughtry, No. 13-408, 2014 U.S. Dist. LEXIS 5299 (M.D.N.C. Jan. 15, 2014)

District court remanded action to state court, finding defendant's notice of removal untimely. Plaintiffs Ryan Andrews, Scott Crawford and Mark Perry sued former bandmate Christopher Daughtry in state court to recover profits denied from certain musical works. Daughtry removed case to federal court, premising jurisdiction on presence of federal question.

Plaintiffs timely moved to remand, and after hearing oral arguments, district court found plaintiff's claims "carefully pleaded" to avoid federal question jurisdiction, and thus removed case back to state court. After discovery and motion practice in state court, Daughtry filed answer, asserting counterclaims under Copyright Act. Daughtry then again removed action to district court, premising jurisdiction on 28 U.S.C. § 1454 and presence of federal question in counterclaims. Plaintiffs moved to remand back to state court, arguing (1) lack of federal question jurisdiction, and (2) that removal was untimely. Court held case was removable under § 1454, as well-pleaded complaint rule does not apply to copyright cases. Court found, however, that removal was untimely. Under § 1454, notice of removal must be filed within 30 days after receipt by defendant of initial pleading or of amended pleading or other papers from which defendant may first ascertain that case is removable. Court found 30-day clock was triggered when court issued order regarding plaintiff's first motion to remand, as Daughtry asserted defenses under Copyright Act at that time. Accordingly, court found, Daughtry's notice was over three months late. Court held that Daughtry was not entitled to extension of removal deadline, as statute requires "cause shown" for such extension. Here, Daughtry failed to show good cause for over three-month delay. Court found further that during three months, Daughtry actively engaged in litigation process in state court by serving discovery requests, and sought state court remedies by filing motion to dismiss, all while knowing he claimed ownership of copyrights of contested songs and recordings. Case was remanded.

B. Personal Jurisdiction and Venue

Troma Entertainment, Inc. v. Centennial Pictures, Inc., 729 F.3d 215 (2d Cir. 2013)

Plaintiff, low-budget film production company, appealed decision of district court dismissing plaintiff's infringement suit against defendants, licensing agents and German film distributor, for lack of personal jurisdiction. District court granted defendants' motion to dismiss, having found that defendants' alleged conduct did not constitute in-state injury under New York long-arm statute. On appeal, Second Circuit held district court did not err in dismissing complaint. Plaintiff, relying on New York Court of Appeals decision in *Penguin Group (USA), Inc. v. American Buddha,* 16 N.Y.3d 295 (2011), argued that complaint did not allege mere economic injury within state. Court, however, distinguished instant case, noting that form of infringement alleged in *Penguin* "works an injury that is virtually impossible to localize—the uploading and making available of copyrighted materials, free of charge, to anyone with an Internet connec-

tion." Distinguishing this case from *Penguin*, court found that infringement alleged by plaintiff, namely, "discrete, geographically circumscribed theft of the opportunity to license distribution of copyrighted works," was more like injury in traditional commercial tort cases. Accordingly, Second Circuit upheld district court decision dismissing complaint for lack of personal jurisdiction.

Zherebko v. Reutskyy, No. 13-843, 2013 U.S. Dist. LEXIS 113493 (N.D. Cal. Aug. 12, 2013)

District court granted defendant's motion to dismiss for lack of personal jurisdiction. Court explained that personal jurisdiction in copyright infringement case is analyzed under "purposeful direction" framework. Under "effects" test, defendant "purposefully directs" activities to forum state if he or she "(1) committed an intentional act, (2) expressly aimed at the forum state, (3) causing harm that the defendant knows is likely to be suffered in the forum state." Since plaintiff was not resident of forum state, did not allege ownership interest in any business in forum state, and did not allege that he owned or leased property in forum state or had bank account or telephone number in forum state, alleged infringement was not "expressly aimed" at anyone in forum state. Court held that since defendants' alleged conduct was not aimed at forum state under effects test, motion to dismiss should be granted.

Lefkowitz v. John Wiley & Sons, Inc., No. 13-1662, 2013 U.S. Dist. Lexis 113824 (E.D. Pa. Aug. 13, 2013)

Court granted defendant's motion to transfer to Southern District of New York pursuant to 28 U.S.C. § 1404(a). Plaintiff brought suit for direct and contributory copyright infringement, alleging that defendant exceeded terms of licenses granted for use of plaintiff's photographs. Forum selection clause in license agreement provided that "Any dispute regarding this Agreement shall be governed . . . by Titles 15, 17 and 35 of the U.S.C . . . and the parties agree to accept the exclusive jurisdiction of the state and federal courts located in New York, New York." Plaintiff argued that forum selection clause was inapplicable because agreement also provided "dispute regarding this Agreement does not include copyright infringement claims," and copyright claims represented majority of case. Court granted defendant's motion to transfer. Court explained that forum selection clause specifically referred to Title 17, which governs copyright claims. Additionally, even if forum selection clause did not refer to copyright claims, court found it would still apply to this action, which includes claims for breach of contract. Because forum selection clause applied, court did not owe deference to plaintiff's choice of forum. Accordingly, defendant's motion to transfer was granted.

C. Pleadings

Wright v. Belafonte, No. 12-7580, 2014 U.S. Dist. LEXIS 47178 (S.D.N.Y. Mar. 31, 2014)

Plaintiff brought action *pro se* against Harry Belafonte, Michael Schnayerson, Random House, Inc., and Alfred A. Knopf ("Book Defendants"), The New York Times Company, The New York Times, The International Herald Tribune and Boston Globe ("Newspaper Defendants"), as well as Federal Bureau of Investigation ("FBI"), alleging defamation, trade libel, false light/invasion of privacy, intellectual property theft and violation of Racketeer Influenced Corrupt Organizations Act ("RICO") in connection with Book Defendants' publication of Belafonte's autobiography *My Song*. In initial hearing, magistrate judge recommended dismissal of Wright's complaint. Court agreed with magistrate's finding that Wright's pleadings did not meet Rule 12(b)(6) standard, and failed to allege subject matter jurisdiction pursuant to Rule 12(b)(1). Court dismissed all claims against Book Defendants, finding that (1) defamation claim was not actionable, since statements were protected opinion and Wright failed to allege damages; (2) false light/invasion of privacy is not cause of action in New York, and New York's right to privacy does not apply to "newsworthy events or matters of public interest"; (3) intellectual property theft and unfair competition claims were preempted by Copyright Act; (4) magistrate properly determined that trade secret theft claim should be dismissed; and (5) magistrate properly determined that RICO claim should be dismissed. Court dismissed all claims against Newspaper Defendants finding that (1) defamation claim should be dismissed due to Wright's failure to allege any constructive knowledge of any inaccurate facts in *My Song*, and there was no evidence of agreement to commit tortious acts; and (2) remaining claims properly dismissed for reasons similar to those for Book Defendants. Court found that claims against FBI were properly dismissed; FBI is immune from suit without consent under doctrine of sovereign immunity.

Helios International S.A.R.L. v. Cantamessa USA, Inc., No. 12-8205, 2013 U.S. Dist. LEXIS 107552 (S.D.N.Y. July 27, 2013)

Plaintiffs brought suit against former business associates based on, *inter alia*, defendants' alleged infringement of copyrighted jewelry designs embodied in luxury line of Cantamessa jewelry. Although plaintiffs asserted separate claim for copyright infringement, they also asserted claims arising under Racketeer Influenced and Corrupt Organizations Act ("RICO"), premised in part on what they described as criminal copyright infringement "conspiracy" under 18 U.S.C. § 2319, predicate offense under RICO. Defendants moved to dismiss RICO claims on ground that plaintiffs

sought to disguise ordinary commercial dispute as RICO "criminal" conspiracy. Court granted defendants' motion to dismiss plaintiffs' RICO claims, and in doing so rejected plaintiffs' alleged predicate act of criminal copyright infringement under § 2319. Court, noting that only "the most egregious" instances of copyright infringement have been upheld as RICO predicate offenses, held that plaintiffs' alleged copyright dispute involving jewelry items of "relatively minor value," coupled with "the overall 'run-of-the-mill commercial dispute' tenor of the case," was insufficient to state predicate act for purposes of RICO. Further, because legislative history indicated that Congress intended "criminal" copyright infringement under § 2319 to apply only to "large-scale organized counterfeiting schemes," court held that it was inappropriate for plaintiffs' traditional claim for infringement to serve as predicate RICO racketeering offense.

Brian Jonestown Massacre v. Davies, No. 13-4005, 2014 U.S. Dist. LEXIS 22154 (N.D. Cal. Feb. 20, 2014)

Plaintiff, musical artist Anton Newcombe, performing as "Brian Jonestown Massacre," sued defendant, former collaborator, seeking declaratory judgment confirming plaintiff's sole ownership of copyrighted songs, and injunction preventing defendant from claiming ownership interest in songs. Defendant threatened suit over ownership of several songs by Brian Jonestown Massacre. Plaintiff claimed songs at issue were composed and performed in whole or substantial part by plaintiff and not defendant. On its own motion, court found it lacked subject matter jurisdiction over plaintiff's claims. Although dispute over joint authorship may require interpretation of Copyright Act and therefore would confer subject matter jurisdiction, here court found plaintiff's complaint alleged "bare dispute" over ownership and was therefore insufficient to establish jurisdiction. Court noted plaintiff's complaint did not allege defendant took part in creation of songs at issue, or that defendant had since made claims that he was joint author. Rather, plaintiff's complaint alleged only facts governed by state contract law. Because plaintiff's complaint failed to present federal question arising under Copyright Act, court dismissed complaint with leave to amend.

Summit Entertainment, LLC v. Santia, No. 11-6310, 2013 U.S. Dist. LEXIS 112922 (C.D. Cal. Aug. 9, 2013)

Court denied motion for default judgment against defendants Daiana Santia and Hector Santia for infringement of registered copyrights in feature films *The Twilight Saga: Breaking Dawn Part 1* and *The Twilight Saga: Breaking Dawn Part 2*. Summit alleged that Santia infringed 13 registered copyrights when Santia accessed Summit's computer servers without authorization, obtained copyrighted material, and distributed material

through internet. Factors considered for entry of default judgment include: (1) possibility of prejudice to plaintiff; (2) merits of plaintiff's substantive claim; (3) sufficiency of complaint; (4) sum of money at stake in action; (5) possibility of dispute concerning material facts; (6) whether defendant's default was due to excusable neglect; and (7) strong policy underlying Federal Rules of Civil Procedure favoring decisions on merits. *Eitel v. McCool*, 782 F.2d 1470 (9th Cir. 1986). Court found that Summit failed to provide evidence supporting alleged acts of infringement. Summit did not allege how Santia improperly accessed servers, or how Summit's copyrights were infringed. Additionally, Summit sought statutory damages of $2.1 million, but did not provide any evidence of actual damages. Santia's default may have been due to excusable neglect, in view of alleged residence in Argentina. Court concluded that all but first of *Eitel* factors weighed against Summit's motion, and therefore denied entry of default judgment.

Matrix, Inc. v. Love Tree Fashion, Inc., No. 13-4565, 2013 U.S. Dist. LEXIS 126382 (C.D. Cal. Sept. 4, 2013)

Court held that plaintiff satisfied pleading obligations despite not identifying copyright registration number of allegedly infringed work. Plaintiff, owner and producer of textile design, brought suit against defendants for selling fabric and garments with reproductions of plaintiff's design. Defendants filed motion to dismiss infringement claims on ground that by not identifying copyright by its registration number, complaint failed to satisfy essential pleading requirement. Court held that complete application satisfies registration requirement of § 411(a). Since Ninth Circuit allows infringement action to proceed as long as application is filed prior to filing suit, and Copyright Office will not issue registration number until after it examines application, "failing to include registration number in complaint . . . cannot logically bar a copyright-infringement suit that can be brought before a registration number is ever assigned."

Intercom Ventures, LLC v. City Media Plus Ex-Yu Streaming, No. 12-10275, 2013 U.S. Dist. LEXIS 110236 (N.D. Ill. Aug. 6, 2013)

Plaintiff, digital television service that distributes television programming over Internet, brought suit for infringement against defendant who allegedly pirated certain Bosnian language television programs over which plaintiff had exclusive distribution rights. Court denied defendant's motion to dismiss plaintiff's claims for direct and contributory infringement. With respect to direct infringement claim, court held that plaintiff's bare allegation that it owned exclusive distribution right was sufficient; plaintiff need not, at pleading stage, support such allegation with licensing docu-

ments evidencing such exclusive rights. Further, court held that plaintiff's allegations that defendant had infringed all programming on specified list of television stations was sufficient, as plaintiff was not required to list each program carried by those stations that was allegedly infringed. With respect to contributory infringement claim, court held that plaintiff's failure to identify third party whom defendant allegedly aided in infringing plaintiff's works was permissible, since plaintiff was not expected to know at early stage of litigation which defendants were direct infringers and which were contributory infringers. However, because plaintiff did not allege that works in question were registered, court struck plaintiff's requests for statutory damages and attorneys' fees pursuant to § 412.

Excel Homes, Inc. v. Locricchio, No. 13-14354, 2014 U.S. Dist. LEXIS 34105 (E.D. Mich. Mar. 17, 2014)

Plaintiff, owner of copyright in architectural drawings for residence design called "Sandstone," brought suit against real estate agent that allegedly built house based upon plaintiff's architectural plans, and purchaser of home. Court granted motion to dismiss claim for infringement against purchaser of home on ground that complaint failed to plausibly allege any infringing acts committed by purchaser. Only logical reading of complaint was that it alleged improper use of architectural plans by real estate firm, and not by "customer" who purchased home. Moreover, even if complaint could be construed to plead claim of induced infringement against purchaser of home, such claim would fail, since fact that customer allegedly requested that real estate firm construct home similar to plaintiff's Sandstone-style home did not, in of itself, establish that customer knew other defendants would commit infringement in order to meet request.

D. Standing

Smith v. Casey, 741 F.3d 1236 (11th Cir. 2014)

Circuit court reversed district court decision that held plaintiff, estate of songwriter, lacked standing due to copyright being registered by music publisher and not songwriter or songwriter's estate. Songwriter, Ronald Louis Smith, Sr., wrote song "Spank," recorded by artist Jimmie Horne, Jr. and released in 1979 by record label Sunshine Sound Enterprises, Inc. Smith's recording agreement with Sunshine for production of "Spank" required him to execute songwriter's agreement with Sunshine or publishing company. If Smith did not execute form songwriter's agreement attached to recording agreement, Smith's recording agreement gave Sunshine authority "to execute said agreement in [his] name." Smith nor Sunshine executed songwriter's agreement; however, Harrick Music, Inc., affiliated Sunshine publishing company, registered song "identifying Smith as com-

poser and itself as claimant" and indicating song was not work for hire. Sunshine released Smith from recording agreement, but maintaining obligations to pay royalties. Release was silent on Harrick as publisher. Smith acquiesced to Harrick's administration of song, but never received royalties from Harrick or Sunshine. On November 28, 2011, Smith's attorney sent cease-and-desist letter revoking Harrick's right to administer "Spank," and also filed four notices of termination with Copyright Office. On October 18, 2012, after Smith's passing, Smith's estate sued for infringement against Sunshine, Harrick, Horne, and other entities. During motion to dismiss by Horne, district court *sua sponte* dismissed action as to all defendants due to lack of standing, finding that neither Smith nor his estate filed copyright registration, which was precondition to filing infringement suit. Circuit court reversed, finding that under Copyright Act beneficial owner included authors "who had parted with legal title in exchange for royalties." However, authors who created works within work for hire agreements would not have standing. Circuit court concluded that "where a publisher has registered a claim to copyright in a work not made for hire . . . the beneficial owner has statutory standing to sue for infringement." Court found Harrick's registration of "Spank" clearly indicated song was not work for hire. Therefore, court concluded Smith's estate had beneficial interest in copyright and standing to sue for infringement.

John Wiley & Sons, Inc. v. DRK Photo, No. 11-5454, 2014 U.S. Dist. LEXIS 22292 (S.D.N.Y. Feb. 21, 2014)

Plaintiff, publisher, sued defendant, stock photography agency, seeking declaratory judgment of non-infringement following defendant's accusation that plaintiff used numerous copyrighted photographs outside scope of license. Defendant counterclaimed, alleging infringement of some, but not all, works at issue. Both parties filed cross-motions for summary judgment. Record established that virtually all of defendant's representation agreements with photographers granted defendant non-exclusive right to photographs. In addition, defendant also entered into separate assignment agreements with photographers permitting defendant to register works with Copyright Office and pursue claims for infringement of works. Record also showed that defendant routinely assured photographers that agreements were not "rights grab" but instead were intended to protect photographs under copyright law and allow defendant to pursue infringers. Court found defendant lacked standing to assert copyright infringement claims because representation agreements were predominantly non-exclusive in nature, and therefore insufficient to confer ownership interest. Moreover, court found assignment agreements conveyed only bare right to sue for infringement, and therefore were insufficient as matter of law to establish defendant's standing to counterclaim for infringement.

Levingston v. Earle, No. 12-8165, 2013 U.S. Dist. LEXIS 165746 (D. Ariz. Nov. 20, 2013)

Plaintiff Lynnell Levingston commenced copyright infringement action against Victoria L. Earle for claims involving plaintiff's book entitled" ("Book") and blog called "Three Men Make a Tiger" ("Blog"). Plaintiff alleged that Earle made copies of Book and Blog for purposes of litigation from 2008 through to 2012. During infringement action, plaintiff filed Chapter 7 petition in U.S. Bankruptcy Court, listing Book as asset, but not copyright infringement claims related to Book or Blog, and not Blog itself. Earle moved to dismiss for lack of subject matter jurisdiction, arguing that plaintiff lacked standing. Court found that plaintiff lost rights in assets not listed on bankruptcy schedule and therefore dismissed claims for lack of standing related to copyright infringement of Blog, copyright infringement of Book prior to filing of complaint, and contributory infringement.

II. COPYRIGHTABILITY

A. Originality

Dice Corp. v. Bold Technologies, 556 Fed. App'x 378 (6th Cir. Mich. 2014)

Sixth Circuit affirmed district court's grant of defendant's motion for summary judgment, and denial of plaintiff's motion for reconsideration and indicative ruling. Plaintiff and defendant were competing software companies that licensed software to alarm companies. One of plaintiff's longtime customers transitioned to defendant. Plaintiff claimed that during conversion process, which in alarm industry is intricate, and requires customer data to be extracted from plaintiff's software to defendant's software, defendant used and made unauthorized copies of plaintiff's proprietary software. Plaintiff sued defendant for number of intellectual property claims, including copyright infringement. Defendant filed motion for summary judgment, arguing that it only relied on commercially-available software during transfer. District court granted defendant's summary judgment motion. Plaintiff thereafter filed motion for reconsideration, arguing (1) district court improperly credited affidavit from defendant's witness regarding extraction process; and (2) new evidence of defendant's entire extraction program, which demonstrated that defendant's software relied on plaintiff's software, was improperly withheld. District court denied plaintiff's motion for reconsideration and indicative ruling. On appeal, Sixth Circuit found that plaintiff did not demonstrate which aspects of its software were protectable and non-functional. Court noted that plaintiff's new evidence showing entire extraction program was merely hundreds of pages of incomprehensible source code without explanation, other than statement by plaintiff that defendant's program utilized

plaintiff's source code in conversion process. Accordingly, court noted that irrespective of how unique plaintiff's source code was, as plaintiff failed to demonstrate originality, district court was correct not to find fact question on "basis only of Dice's say-so." Accordingly, Sixth Circuit affirmed district court's ruling.

Moore v. Kroger Co., No. 13-4171, 2014 U.S. Dist. LEXIS 26377 (N.D. Cal. Feb. 28, 2014)

District court granted defendant's motion for judgment on pleadings and counterclaim for declaratory judgment of non-infringement. Plaintiff was independent creative design and consumer goods company. Plaintiff claimed ownership of copyright in "Personalizable Beverage Name Space," which was blank rectangle space that sometimes appears with word "Name" printed above it, and is meant to be incorporated into design of beverage label to provide space for person to write his or her name. Plaintiff sued defendant Kroger Company for infringing copyright in Personalizable Beverage Name Space on Kroger brand water bottle. Defendant filed counterclaims seeking declaratory judgment of non-infringement and copyright invalidity. Defendant argued that plaintiff's copyright was invalid, as Name Space was "blank form" and thus not entitled to protection. It is well-established, court stated, that blank forms that do not convey information are not copyrightable. However, *Bibbero Systems, Inc. v. Colwell Systems, Inc.*, 893 F.2d 1104 (9th Cir. 1990), notes exception to rule, when text is integrated with blank forms. Here, court found plaintiff's "Personalizable Beverage Name Space" was not copyrightable because it was blank form designed for recording information that did not itself convey information, and did not even consist of simple instructions for use that could arguably make it copyrightable. Court therefore granted defendant's motion for judgment on pleadings, as well as defendant's counterclaim for declaration of non-infringement.

Vil v. Poteau, No. 11-11622, 2013 U.S. Dist. LEXIS 104943 (D. Mass. July 26, 2013)

District court denied defendant's motion to dismiss. Plaintiff founded non-profit, served as its vice president, and was on its board of directors. Defendants also held positions at non-profit, and served on its board of directors. Plaintiff created learning program, and obtained copyright registration. Plaintiff alleged that defendants acted to remove plaintiff from non-profit's operations, and, without authorization, continued to reproduce, display, advertise and distribute plaintiff's copyrighted work. Plaintiff claimed defendants continued to use work to attract donors, and, as result of donations, non-profit's budget grew from $30,000 to over $2 million. Plaintiff sued for copyright infringement. Defendants moved to

dismiss, alleging that copyright was not valid because plaintiff's program did not qualify as "work of authorship," and instead fell under § 102(b), which prohibits copyright protection for "any idea, procedure, process, system, method of operation, concept, principle or discovery." Court noted that because plaintiff obtained registration for program, defendants had burden to rebut presumption of copyright validity. Defendants cited *Situation Management Systems v. ASP Consulting Group*, 535 F. Supp. 2d 231 (D. Mass. 2008), to support their position that program was un-copyrightable process. Court found that defendants erroneously relied on blanket rule that would exclude all "[w]orks that offer techniques for developing a skill or reaching a goal from copyright eligibility." First Circuit rejected defendants' argument in *Situation Management*, and in fact reversed district court holding, finding that although process or system was not copyrightable, description of it may be. Accordingly, to extent plaintiff's program offered description of learning technique, it may be copyrightable under *Situation Management* standard; defendants therefore failed to rebut presumption of validity.

B. Pictorial, Graphic and Sculptural Works

Ochre, LLC v. Rockwell Architecture, Planning & Design, P.C., 530 Fed. App'x 19 (2d Cir. 2013)

Court of Appeals affirmed district court's dismissal of copyright infringement complaint under Rule 12(b)(6). Works at issue were light fixtures. Copyright Act provides protection to useful articles, items that have "an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information," "only if, and only to the extent that, [their] design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article." Court held that light fixtures are useful articles, since they have intrinsic utilitarian function, and plaintiff "did not plead sufficient facts to make it plausible that the light fixtures in question have either physically or conceptually separable elements that are entitled to copyright protection." Court of Appeals thus affirmed district court's dismissal of complaint.

Inhale, Inc. v. Starbuzz Tobacco, Inc., 739 F.3d 446 (9th Cir. 2014)

Ninth Circuit affirmed district court's grant of summary judgment in favor of defendant, finding that shape of hookah water container was not entitled to copyright protection. Because hookah water container was useful article, and plaintiff agreed that physical separability did not apply, court looked only to issue of conceptual separability. Court found "persuasive" opinion letter and internal manual issued by Copyright Office holding that

useful article's distinctive shape does not affect conceptual separability. Because hookah container's shape was not independent of its utilitarian function of holding contents within that shape, there was no conceptual separability, and hookah container was not copyrightable.

RPM Displays, Inc. v. Oz Mannequins International, No. 12-686, 2013 U.S. Dist. LEXIS 125845 (N.D.N.Y Sept. 4, 2013)

In dispute between two mannequin design and production companies, plaintiff brought declaratory judgment action seeking declaration that defendants' copyrights in certain mannequins were invalid and that mannequins were not copyrightable. Defendants counterclaimed, alleging copyright infringement. Plaintiff argued that human mannequins were noncopyrightable "useful articles" because they served sole purpose of displaying clothing; that any design elements in mannequins reflected merger of aesthetic and functional considerations, and were therefore not conceptually separable from utilitarian elements; and that merger doctrine precluded copyright protection. Defendants countered that mannequins were protected as "sculptures," and even if useful articles, they possessed conceptually separable artistic features that were entitled to copyright protection. In denying plaintiff's motion for partial summary judgment, district court reasoned that determination whether mannequins were useful articles or whether merger doctrine precluded protection was premature at summary judgment stage; more evidence was needed to determine how much artistic judgment went into creation of mannequins, to what extent mannequins served purpose beyond displaying clothing, and whether copyright protection was available under merger doctrine. Court also determined that claims for attorneys' fees and statutory damages were premature because question of whether mannequins were protectable must be determined before addressing question of damages.

C. *Compilations and Derivative Works*

Peter Mayer Publishers, Inc. v. Shilovskaya, No. 12-8867, 2014 U.S. Dist. LEXIS 45887 (S.D.N.Y. Mar. 31, 2014)

Peter Mayer Publishers, Inc. ("PMP") sought declaratory judgment against descendants of Mikhail Bulgakov of non-infringement of copyright in Bulgakov's novel *The Master and Margarita*. PMP secured copyright in English translation of novel, and sought declaratory judgment that it was entitled to publish translation as e-book. Descendants conceded PMP's right to publish print version of translation, but contended that e-book would constitute new "derivative work," and would therefore infringe their restored copyright. Court concluded that e-book was not derivative work. Court reasoned that phrase "recast, transformed, or adapted" re-

ferred to content-based changes, and transfer of translation to e-book constituted change in medium only. Court further concluded that e-book was not "original work of authorship" within meaning of § 101. Court reasoned that eReader software that transfers text into electronic book format does not "recast, transform or adapt" text. Court accordingly granted PMP's motion for summary judgment, finding that e-book would not infringe descendants' copyright.

D. Miscellaneous

Garcia v. Google, Inc., 743 F.3d 1258 (9th Cir. 2014)

Reversing district court's denial of preliminary injunction, divided Ninth Circuit panel held that actress duped into appearing in anti-Muslim video could likely establish copyright ownership interest in her performance, separate from producer's copyright in video. Video defamed prophet Mohammad, in part by dubbing new dialogue over actress' lines without her knowledge, which prompted Egyptian cleric to issue *fatwa* calling for killing of all involved in project. Actress received death threats, and sought to remove video from YouTube. YouTube declined to honor DMCA takedown requests because actress was not owner of copyright in video. District court denied motion for preliminary injunction because actress was not copyright owner. On appeal, Judge Kozinski, joined by Gould, J., rejected arguments (1) that actress's performance was work made for hire (impossible because there was no written agreement), and (2) that performance was subject to implied license (impossible because video producer did not disclose true nature of film to actress). Nor was performance joint work because neither actress nor producer so intended. "But nothing in the Copyright Act suggests that a copyright interest in a creative contribution to a work simply disappears because the contributor doesn't qualify as a joint author of the entire work," majority held, and "[a]n actor's performance, when fixed, is copyrightable if it evinces some minimal degree of creativity," citing *Feist*. "That is true whether the actor speaks, is dubbed over, or, like Buster Keaton, performs without any words at all." Record was "clear" that plaintiff's performance "meets these minimum requirements" thus plaintiff's motion for preliminary injunction should have been granted. "We need not and we do not decide whether every actor has a copyright in his performance within a movie. It suffices for now to hold that, while the matter is fairly debatable, [plaintiff] is likely to prevail." Dissent by Smith, J. asserted that "the majority makes new law in this circuit in order to reach the result it seeks. We have never held that an actress' performance could be copyrightable." In dissent's view, actress's performance "is not a work," she "is not an author" and "the Constitution and the Copyright Act require much more" than mere "showing of originality" under *Feist* to create "copyrightable interest."

Dissent also analogized case to *Midler v. Ford Motor Co.*, 849 F.2d 460 (9th Cir. 1988), arguing that actress's performance here, like singer's performance in *Midler*, "is too personal to be fixed," and is thus uncopyrightable regardless of originality.

III. OWNERSHIP

A. Works Made for Hire

Gary Friedrich Enterprises, LLC v. Marvel Characters, Inc., 716 F.3d 302 (2d Cir. 2013)

Court reversed lower court's grant of summary judgment in favor of defendant because genuine issues of material fact existed as to whether famous "Ghost Rider" comic book character was work made for hire. Key issue was whether Gary Friedrich, freelance artist who created Ghost Rider character, had assigned rights in renewal term copyrights by virtue of purported "work-for-hire" agreement with Marvel in 1978, six years after initial publication of Ghost Rider comic books. Court, noting strong presumption against conveyance of renewal rights absent parties' clear intent, held that agreement was ambiguous on its face, since (1) key definition of "work" subject to agreement was unclear and awkwardly phrased, (2) contract could reasonably be read as forward-looking contract, only covering works submitted after contract was signed, and (3) contract contained no explicit reference to renewal rights. Because contract was ambiguous on its face, court looked to extrinsic evidence to determine parties' intent. Court concluded that it was doubtful that parties intended that contract covered Ghost Rider, since Friedrich believed at time of signing that contract only covered future works; Friedrich was not paid anything separately for signing contract; there was no discussion of renewal rights at time of signing; and Ghost Rider comic books had already become successful Marvel comic book series at time of signing. In sum, extrinsic evidence suggested that parties only intended to assign initial term of copyright. Because jury could reasonably conclude that parties never considered renewal rights when executing contract at issue, district court erred in granting summary judgment. Court held that there were genuine issues of material fact precluding grant of summary judgment that Friedrich was author, or at least joint author, of Ghost Rider work. While there was evidence to support argument that Friedrich was sole author, Marvel had produced countervailing evidence that, if accepted, indicated that Ghost Rider was "work made for hire" owned by Marvel. Such evidence suggested that Friedrich had nothing more than uncopyrightable idea for motorcycle-riding character, that Ghost Rider's appearance and origin story was developed through collaborative efforts of Friedrich and

several Marvel employees, and that head of Marvel had commissioned Ghost Rider work by authorizing comic book's production.

Marvel Characters, Inc. v. Kirby, 726 F.3d 119 (2d Cir. 2013)

Marvel filed suit against heirs of prolific comic book artist, Jack Kirby, after heirs had served termination notices with respect to certain drawings created by Kirby between 1958 and 1963 and featured in comic books published by Marvel during that period. Court affirmed lower court's finding that drawings at issue were made at Marvel's "instance and expense," and therefore were "works made for hire" owned by Marvel under governing Copyright Act of 1909. Although it was undisputed that Kirby was freelance artist for Marvel, under 1909 Act such independent contractors were deemed "employees" if works met "instance and expense" test. First, court held that works at issue were made at Marvel's instance. Although Kirby was freelancer, evidence showed that his working relationship with Marvel during these years was "close and continuous"; great majority of Kirby's works during these years was published by Marvel; and Marvel had right to supervise Kirby's work, and right to make creative contributions to Kirby's work. Second, in light of parties' close working relationship and fact that Kirby's drawings built on Marvel's preexisting comic book titles and themes that Marvel had expended resources to establish, Marvel's payment to Kirby of flat fee per page satisfied "expense" prong. Finally, Kirby's heirs produced no agreement to contrary rebutting presumption, which arose upon Marvel's satisfying "instance and expense" test, that works in question were works made for hire. Because drawings at issue were works made for hire owned by Marvel, Kirby's heirs had no termination rights and their termination notices were therefore ineffective.

Brumley v. Albert E. Brumley & Sons, Inc., 727 F.3d 574 (6th Cir. 2013)

Robert E. Brumley ("Robert"), son of gospel songwriter Albert Brumley, Sr. ("Albert Sr."), appealed district court decision, seeking review of (1) validity of termination notice by other Albert Sr. heirs, and (2) other evidentiary rulings. In 1928 and 1929, Albert Sr. wrote and composed gospel song *I'll Fly Away* ("Song"), which was originally published by Hartford Music Company ("Hartford"). In 1947, Albert Sr. purchased all of Hartford's assets, including copyright in Song. Albert Sr. held title in his copyrights in his music publishing company Albert E. Brumley & Sons. In December 1975, Albert Sr. sold his interest in Brumley & Sons to his sons William Brumley ("William") and Robert, which was followed by executed bill of sale from Albert Sr. and wife Goldie conveying publishing rights in Song. Robert later bought all of William's interest in Brumley & Sons. In 1977, Albert Sr. died, bequeathing copyrights to Goldie. In 1979

Goldie, claiming to be "sole and rightful owner" of Albert Sr.'s copyrights, transferred her rights to Brumley & Sons ("1979 Bill of Sale"). In April 2006, Albert Senior's other four children delivered Notice of Termination to Brumley & Sons seeking to terminate 1975 transfer. Robert did not acknowledge termination, and Brumley heirs sued in 2008. Robert contended that (1) Song was work for hire, since Albert Senior was employee of Hartford when Song was authored, and (2) Goldie exercised termination rights by assigning rights in 1979 Bill of Sale, which prevented heirs from later exercising termination rights. District court bifurcated trial, with jury determining work for hire issue and court determining validity of Termination Notice. Jury determined that Song was not work for hire. District court then held that Goldie's 1979 Bill of Sale was not exercise of termination rights, and Albert Sr.'s heirs Termination Notice was valid. On appeal, Robert challenged evidentiary rulings by district court as to work for hire issue, which were (1) introduction of 1977 conversation between Albert Sr. and son, Albert Brumley, Jr., stating he sold Song to Hartford for $3.00, and (2) exclusion of two newspaper articles that stated Albert Sr. was employee of Harford when he wrote Song. Circuit court affirmed introduction of 1977 conversation, and reversed exclusion of newspaper articles. Circuit court did not decide remaining issues, and remanded to district court.

Van Dyke v. Lions Gate Entertainment, Inc., No. 13-454, 2013 U.S. Dist. LEXIS 105288 (C.D. Cal. July 24, 2013)

District court denied defendant's motion to dismiss plaintiff's claim for declaratory judgment that he was author of work. Plaintiff was director of media department of defendant Yorba Linda Friends Church. Plaintiff and defendant Friends Media entered into agreement to secure rights in screenplay. Pursuant to agreement, supervisor of Friends Media was co-author of screenplay. Plaintiff claimed, however, that supervisor did not make any copyrightable contribution to screenplay, and plaintiff was coerced to enter into agreement. For two and one-half years plaintiff worked full-time for Church and Friends Media. During that time, he was employed with Friends Media as "writer and director" of film, *Not Today*. Plaintiff and Friends Media attempted to negotiate written agreement for plaintiff's services as director of film, but no agreement was ever consummated, and plaintiff never received payment for his work. Defendant Lions Gate was distributor of *Not Today*. After film was released, plaintiff again raised issue of his compensation as director, and requested accounting. Shortly thereafter, plaintiff was terminated by Church. Plaintiff asserted claim for declaratory relief that he was sole or joint owner of copyright in film, along with other claims, including that he was never employee. Friends Media moved to dismiss. First, Friends Media claimed

case and controversy requirement was lacking. Court disagreed, stating that case was ripe as there was substantial controversy between parties, of sufficient immediacy to warrant declaratory judgment, since plaintiff claimed that he was presently entitled to copyright ownership in film that was released to theaters. Friends Media also argued that plaintiff was employee of Friends Media and Church, and therefore film was work for hire. Court noted, however, that plaintiff asserted alternative claims based on assumption that it would be determined that he was not employee. Court found that plaintiff could plead alternative theories, as issue of employment status is highly fact-specific. Finally, Friends Media asserted that plaintiff's claim was really copyright infringement claim, which would fail because copyright in film was not registered. Court denied argument stating that plaintiff was not alleging defendant infringed plaintiff's copyright; rather, he was alleging declaration that he was owner of copyright in film. Court therefore denied motion to dismiss.

Lewis v. Activision Blizzard, Inc., No. 12-1096, 2013 U.S. Dist. LEXIS 149784 (N.D. Cal. Oct. 17, 2013)

District court granted defendant's motion for summary judgment. Defendant Blizzard was videogame company that created *World of Warcraft*. Plaintiff was employee of defendant who held position of "game master" for *World of Warcraft*. Plaintiff's job description read, in part, "assisting with creation of content during the ever ongoing development of the game." During course of employment, Blizzard invited all game masters to audition for voiceover for *World of Warcraft*. Plaintiff auditioned, and was invited to record voice for new game character. Plaintiff was told that character would be unveiled at annual fan convention and used in videos to promote game. Plaintiff attended two recording sessions and was compensated at usual hourly rate. Plaintiff never sought additional compensation. Shortly before plaintiff was terminated, she learned that voice recordings were used in game itself. Plaintiff sued, alleging copyright infringement for use of sound recordings in game without consent. Blizzard filed motion for summary judgment, alleging recording was work made for hire. In analyzing relevant factors, court found recording was type of work plaintiff was employed to perform. Specifically, court noted (1) plaintiff's job description expressly stated that she was to assist with creation of content for game; (2) task of producing content for game was highly similar to other tasks game masters regularly perform; (3) other game masters produced original content for game while plaintiff was employed at Blizzard; (4) plaintiff was paid normal hourly wage, and never sought additional compensation for recording; and (5) supervisor praised plaintiff's work on recording as part of performance review. Court also found work was substantially within authorized time and space limits. Court noted recording

sessions were conducted at Blizzard's offices during normal business hours, despite fact that recording sessions took place on plaintiff's days off. Additionally, court focused on fact that plaintiff received standard hourly wage, and never received own copies of recordings. Finally, court found that recordings were actuated by purpose to serve employer, as plaintiff admitted that she was motivated by desire to serve Blizzard's interests when she participated in recording sessions, and admitted that she understood that recordings would be used to promote game. Accordingly, court found recordings were works made for hire, and that Blizzard, not plaintiff, was owner of copyright in recordings.

B. Transfer of Ownership

Beasley v. Commonwealth Edison Co., No. 11-4973, 2013 U.S. Dist. LEXIS 122766 (N.D. Ill. Aug. 28, 2013)

Plaintiff Zachary Beasley, employee of defendant Commonwealth Edison Company, utility and energy delivery company ("ComEd"), his wife, and Ideas N Mind, Inc., corporation they formed for purposes of producing creative works for advertising purposes, sued ComEd for use of plaintiffs' "handshake image" on ComEd's Safety Rule Books. Beasley was crew leader at ComEd who was artist on side. ComEd used Beasley's work on occasion, and asked Beasley to create image for use on Safety Rule Book. Beasley created image of handshake, and claimed he advised ComEd that use of image was to be limited to 1997 Safety Rule Book. As image had to be reduced and able to be scanned for ComEd's use, Beasley's wife outlined sketch of handshake image created by Beasley. ComEd then used image on 2003 and 2009 Safety Rule Books, and plaintiffs sued for infringement. Both parties moved for summary judgment. ComEd argued that Beasley and wife did not have standing to pursue copyright claim because Ideas N Mind was sole owner of copyright, as listed in copyright registration. Plaintiffs claimed that wife was joint owner of work. Court noted that Seventh Circuit rejected notion that joint owner was one who made "more than *de minimis* contribution" to work, and instead embraced "joint authorship" test that required that each contribution be independently copyrightable. As wife's contributions were merely to trace outline of actual sketch by "cutting, lining, pasting, and straightening lines" to reduce size of image so that it could scan into computer, court found wife was not joint author. With respect to Beasley, ComEd conceded that Beasley created creative handshake image, but argued claim must be dismissed because Beasley did not own copyright in image, as he transferred copyright to Ideas N Mind. Beasley admitted that he transferred rights to Ideas N Mind through written agreement, but contended that because agreement was subject to right of reversion upon demand by Beasley, that both he and corporation were proper plaintiffs. Court denied Beasley's

argument, noting that he did not cite any authority for such claim, and never exercised any right to reversion. Court therefore granted ComEd's motion for summary judgment dismissing claims by Beasley and wife.

Tempest Publishing, Inc. v. Hacienda Records, No. 12-736, 2013 U.S. Dist. LEXIS 159467 (N.D. Tex. Nov. 8, 2013)

District court maintained grant of partial summary judgment to defendants, denying plaintiff's motion for rehearing. Plaintiff filed suit against Hacienda Records for alleged infringement of four songs. In 1960s, Roman Martinez, Sr. was in band named "El Grupo," which later became "The Hometown Boys." In 1981, El Grupo recorded original songs *Buscando Un Carino* and *Morenita de Ojos Negros*; defendant Hacienda claimed it paid for recording sessions. Hacienda also produced "option contract" signed by members of El Grupo, including Martinez, giving Hacienda right to "promote and distribute recorded material. . .," and giving El Grupo permission to purchase product at distributor prices. Parties disputed whether option contract gave Hacienda authority to sell El Grupo material, and whether Hacienda paid for recording sessions. El Grupo purchased copies of 45 rpm singles and 8-tracks to pass out at concerts. In 1989 or 1990, band learned that Hacienda Records released *Morenita* and *Buscando*. In 1994, The Hometown Boys made new recording of *Morenita* for CD released by Discos MM, and in 1999 were planning to release another CD with new recording of *Buscando*. Martinez sold rights to *Morenita* and *Buscando* to Musica Adelena under songwriter's contract, and Musica Adelena registered copyrights in "words, music and sound recording." Musica Adelena later sold its rights to Tempest Publishing. Tempest Publishing learned that Hacienda Records had been selling albums with 1981 versions of both songs, and filed suit. Court reviewed songwriter's contract between Martinez and Musica Adelana, and found rights in *Morenita* and *Buscando* not validly transferred. Writing here provided that Martinez "sells, assigns, transfers and delivers to the Publisher, its successors and assigns, all his rights, title and interest in and to certain heretofore unpublished original musical works." Both songs were previously released, and therefore published, under Copyright Act. Evidence that Martinez understood "unpublished" to mean "he had not entered into a previous publishing agreement" was not admissible, because contract was unambiguous. Furthermore, representative at Musica Adelana understood meaning of "unpublished" at time of entering contract, and did not know songs were previously released. Court concluded, accordingly, that Tempest did not acquire rights to *Buscando* and *Morenita*, and could not sue Hacienda for infringement as to those songs.

C. Termination of Transfers

Marvel Characters, Inc. v. Kirby, 726 F.3d 119 (2d Cir. 2013)

Marvel filed suit against heirs of prolific comic book artist, Jack Kirby, after heirs had served termination notices with respect to certain drawings created by Kirby between 1958 and 1963 and featured in comic books published by Marvel during that period. Court affirmed lower court's finding that drawings at issue were made at Marvel's "instance and expense," and therefore were "works made for hire" owned by Marvel under governing Copyright Act of 1909. Although it was undisputed that Kirby was freelance artist for Marvel, under 1909 Act such independent contractors were deemed "employees" if works met "instance and expense" test. First, court held that works at issue were made at Marvel's instance. Although Kirby was freelancer, evidence showed that his working relationship with Marvel during these years was "close and continuous"; great majority of Kirby's works during these years was published by Marvel; and Marvel had right to supervise Kirby's work, and right to make creative contributions to Kirby's work. Second, in light of parties' close working relationship and fact that Kirby's drawings built on Marvel's preexisting comic book titles and themes that Marvel had expended resources to establish, Marvel's payment to Kirby of flat fee per page satisfied "expense" prong. Finally, Kirby's heirs produced no agreement to contrary rebutting presumption, which arose upon Marvel's satisfying "instance and expense" test, that works in question were works made for hire. Because drawings at issue were works made for hire owned by Marvel, Kirby's heirs had no termination rights and their termination notices were therefore ineffective.

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transferred her rights to Brumley & Sons ("1979 Bill of Sale"). In April 2006, Albert Senior's other four children delivered Notice of Termination to Brumley & Sons seeking to terminate 1975 transfer. Robert did not acknowledge termination, and Brumley heirs sued in 2008. Robert contended that (1) Song was work for hire, since Albert Senior was employee of Hartford when Song was authored, and (2) Goldie exercised termination rights by assigning rights in 1979 Bill of Sale, which prevented heirs from later exercising termination rights. District court bifurcated trial, with jury determining work for hire issue and court determining validity of Termination Notice. Jury determined that Song was not work for hire. District court then held that Goldie's 1979 Bill of Sale was not exercise of termination rights, and Albert Sr.'s heirs Termination Notice was valid. On appeal, Robert challenged evidentiary rulings by district court as to work for hire issue, which were (1) introduction of 1977 conversation between Albert Sr. and son, Albert Brumley, Jr., stating he sold Song to Hartford for $3.00, and (2) exclusion of two newspaper articles that stated Albert Sr. was employee of Harford when he wrote Song. Circuit court affirmed introduction of 1977 conversation, and reversed exclusion of newspaper articles. Circuit court did not decide remaining issues, and remanded to district court.

Baldwin v. EMI Feist Catalog, Inc., 109 U.S.P.Q.2d 1936 (S.D.N.Y. 2013)

Plaintiffs sought declaratory judgment that their copyright termination notices were valid and enforceable to terminate defendant's ownership of copyright in song *Santa Claus Is Comin' to Town*, co-authored in 1934. Co-authors of song had conveyed copyrights to defendant in 1934, and subsequently granted defendant all renewals and extensions of said copyrights under agreement entered into in 1951. In 1981 co-author sent defendant notice of termination pursuant to § 304(c) with respect to 1951 agreement, selecting October 23, 1990 as effective date of termination. However, plaintiffs never recorded 1981 Notice with Copyright Office. Court therefore held that 1981 termination notice failed to terminate defendant's copyright interest, since § 304(c)(4)(A) requires that termination notice be recorded in Copyright Office before effective date as condition to its taking effect. Moreover, additional termination notices served by plaintiffs in 2004, 2007 and 2012 were ineffective, since plaintiffs had already exercised termination rights upon serving 1981 Notice, and § 304(c) does not permit "a second bite at the termination apple." Accordingly, 1951 agreement granting defendant all renewals and extensions of copyright remained in effect, securing defendant's ownership of copyrights until 2029.

D. Joint Works and Co-Ownership

Brownstein v. Lindsay, 472 F.3d 55 (3d Cir. 2014)

Plaintiff Peter Brownstein filed suit seeking declaratory judgment of joint authorship of ethnic identification system, "LCID," created with defendant Tina Lindsay. Lindsay developed rules known as Ethnic Determinate System ("EDS") to categorize names by ethnicity. Lindsay enlisted Brownstein to turn her rules into computer code, which became known as ETHN programs. Combination of Lindsay's EDS rules and Brownstein's ETHN code was known as LCID, with authorship of EDS to attributed to Lindsay and authorship of ETHN attributed to Brownstein. Brownstein and Lindsay later became equal shareholders in TAP Systems, Inc. ("TAP") to commercialize LCID, and later formed another entity, Ethnic Technologies, LLC ("E-Tech"), where Brownstein was executive. Over time, Lindsay independently executed agreements to transfer ownership of LCID to these entities. Lindsay registered her copyright for EDS in February 1996 and then in December 1996 registered another version, for which she submitted Brownstein's ETHN programs as deposit copy. In May 2009, Brownstein left E-Tech on bad terms, and filed suit as oppressed shareholder. In 2010 settlement agreement, Brownstein relinquished his "right, title, and interest" as "shareholder, officer, director or employee of E-Tech." In March 2010, Brownstein filed this lawsuit. After jury trial district court granted judgment as matter of law, ruling that (1) "statute of limitations under Copyright Act had run, since Brownstein had adequate notice of his authorship claim more than three years prior to filing his complaint"; (2) Brownstein was not co-author of LCID; and (3) Brownstein's copyright registrations should be cancelled. Circuit court reversed, finding that Brownstein was co-author of LCID. Lindsay admitted during trial that her rules and Brownstein's code were inseparable in LCID. Furthermore, Brownstein was both officer and shareholder of TAP and officer of E-Tech, and therefore his contribution to LCID was not made as work for hire because it was not made as employee within scope of his employment. Circuit court found Lindsay's second registration, despite deposit copy containing Brownstein's ETHN program, only extended to her authorship of EDS. Even if Brownstein did not contribute to newer versions of LCID, LCID was still based on original work, which he co-authored, and therefore Brownstein was co-author of newer versions to extent they were derivative works; extent of his authorship in derivative works was fact question for jury. In 2010 settlement agreement Brownstein only relinquished rights as executive or shareholder, and not to copyrighted works. Circuit court applied discovery rule, "which states a claim accrues when the plaintiff discovers or should have discovered with 'due diligence' that his rights had been violated" as to statute of limitations.

Circuit court also adopted express repudiation rule, where joint authorship claim arises when author's rights have been expressly repudiated by his co-author. Circuit court found as matter of law that registration of copyright by Lindsay was not sufficient express repudiation of authorship. Lindsay contended that statements in some of agreements expressly repudiated Brownstein as author and circuit court disagreed. Ultimately, circuit court found other potential sources of repudiation, namely agreements, were factual determinations for jury. Finally, court held that Copyright Act gives court no authority to cancel registrations; authority resides exclusively with Copyright Office.

Chennault v. Sutton, No. 10-497, 2014 U.S. Dist. LEXIS 61642 (E.D. Tenn. May 5, 2014)

District court granted defendant's motion for summary judgment, finding plaintiff and defendant to be joint owners of work. Marvin Sutton was father of plaintiff and husband of defendant. In 1999, Marvin wrote book which he co-authored with Ernestine Upchurch. Years later, Marvin revised book and paid for printed copies of revised version. Marvin died in 2009. Following his death, defendant sold printed copies of revised book, and sent copy to plaintiff. Plaintiff sued defendant for infringement, claiming ownership of copyright in both books. Plaintiff alleged initial book was co-authored by Marvin and Ernestine Upchurch. After Marvin's death, plaintiff claimed Upchurch secured exclusive rights of book, and subsequently assigned such rights to plaintiff. Plaintiff then obtained copyright registration for books, stating in registration that she obtained ownership "by inheritance and subsequently by written agreement." Defendant filed answer alleging plaintiff's claims were barred due to (1) fraud on Copyright Office, as plaintiff did not acquire rights through inheritance; and (2) lack of standing, as plaintiff was never sole or exclusive owner of works. Defendant asserted counterclaim seeking declaratory judgment that defendant was owner of works, and requested that copyright registration be corrected. Defendant alleged that she received written license and consent from Marvin to sell books, and that she was owner and assignee of copyrights through inheritance, as she was granted rights through Marvin's will. Defendant did not contest that Upchurch assigned rights to plaintiff. However, defendant claimed that plaintiff failed to meet requirements under § 204 that transfers of copyright ownership be in writing and signed by owner or agent of owner. As plaintiff failed to show that Marvin transferred rights in writing, and as defendant obtained rights through inheritance, defendant claimed joint authorship. Court found for defendant, finding defendant inherited ownership rights through will. Fact that copyright registration listed plaintiff as current owner raised only rebuttable presumption of validity. As record showed Marvin was author

and co-owner of copyrighted book, and as defendant owned Marvin's rights through inheritance, court found defendant to be joint owner and entitled to all exclusive rights of owners of works. Court therefore found plaintiff could not make claim against defendant, and granted defendant's motion for summary judgment.

E. Contracts and Licenses

Unclaimed Property Recovery Service, Inc. v. Kaplan, 734 F.3d 142 (2d Cir. 2013)

Appeals court affirmed district court's dismissal of infringement suit based upon defendant's allegedly unauthorized use of original class action complaint that had been authored by plaintiff. Plaintiffs argued that new counsel's filing of amended complaint that largely incorporated original complaint violated copyrights in original complaint. In affirming lower court's holding, court held that holder of copyright in litigation document who authorizes party to use copyrighted document in legal proceeding "necessarily conveys, not only to the authorized party but to all present and future attorneys and to the court, an irrevocable authorization to use the document in the litigation thereafter." Absent such ruling, courts would be unable to fairly and thoroughly adjudicate cases if party suddenly lost right to give court copies of documents already used in litigation. Court held that such holding was particularly crucial with respect to complaints, which are "the foundation of a legal action," and amendments thereto incorporating portions of original complaint are "a regular component of the litigation process." Thus, because copyright plaintiffs authorized class action plaintiffs to file original complaint, they could not prohibit those class action plaintiffs from continuing to use complaint in context of that litigation.

Beastie Boys v. Monster Energy Co., No. 12-6065, 2013 U.S. Dist. LEXIS 157780 (S.D.N.Y. Nov. 4, 2013)

Court granted third party defendant Z-Trip's motion for summary judgment. Beastie Boys brought copyright infringement action against Monster Energy Company, alleging unauthorized use of remix of songs originally composed and recorded by Beastie Boys ("Remix"). Present action involved third-party complaint brought by Monster against Zach Sciacca, a/k/a "Z-Trip," who created Remix and was authorized by Beastie Boys to post on his website for free download. Monster sponsored snowboarding event in Canada called "Ruckus in the Rockies," and on May 9, 2012 posted on internet promotional video recapping Ruckus, using excerpts of Remix as soundtrack. On June 13, 2012, Monster received letter from Beastie Boys stating that Monster did not have permission to

use Remix. On August 8, 2012, Beastie Boys initiated present action and Monster answered, arguing, *inter alia*, that any injury to Beastie Boys was due to Z-Trip's negligence, fraud, or breach of contract, and brought third-party complaint against Z-Trip. Monster's claims against Z-Trip were based on interactions between Monster employee Nelson Phillips and Z-Trip during Ruckus. Court found that only relevant evidence was: (1) testimony by Phillips about oral communications during Ruckus between Phillips and Z-Trip; and (2) subsequent email exchange. Even in light most favorable to Monster, court found that reasonable juror could find neither offer, acceptance or consideration sufficient to find contract between Monster and Z-Trip, nor any fraud on part of Z-Trip for alleged false misrepresentations.

Palmer Kane, LLC v. Scholastic Corp., No. 12-3890, 2014 U.S. Dist. LEXIS 44881 (S.D.N.Y. Mar. 31, 2014)

Plaintiff brought action against Scholastic and Corbis Corporation alleging copyright infringement, breach of contract, and breach of implied duty of good faith and fair dealing. Court granted separate motions to dismiss by Scholastic and Corbis. Through Corbis, Palmer entered into agreements authorizing Scholastic to publish specific photographs owned by Palmer, which were registered with Copyright Office under seventeen separate registration numbers. Palmer alleged that Scholastic infringed Palmer's copyrights by exceeding scope of license, by publishing Palmer photographs in Scholastic publications not authorized in agreements. Corbis was hired as agent for Palmer, and Palmer alleged that Corbis breached various agent's agreements by refusing to provide copies of licensing agreements governing Palmer photographs, as required by "Audit Rights" provision in agent's agreements. Court concluded that Palmer failed to sufficiently plead that there were "specific, original works at issue" by not specifying which photographs were at issue. Court also concluded that Palmer failed to sufficiently plead "the acts that constituted infringement." Palmer specified books published by Scholastic containing unauthorized photographs, but failed to specify dates during which Scholastic committed infringement. Court therefore granted Scholastic's motion to dismiss. In construing agent's agreements, court found that Palmer had not yet invoked "Audit Rights" provisions, since Palmer's written demands never referenced these provisions. "Audit Rights" provisions also only entitled Palmer to sales audits, not licensing agreements. Court also found that New York does not recognize separate cause of action for breach of implied covenant of good faith and fair dealing when breach of contract is pleaded on same facts. Court therefore granted Corbis' motion to dismiss.

Beasley v. Commonwealth Edison Co., No. 11-4973, 2013 U.S. Dist. LEXIS 122766 (N.D. Ill. Aug. 28, 2013)

District court denied cross motions for summary judgment, finding genuine issues of material fact regarding plaintiffs' infringement claim and defendant's affirmative defense. Plaintiff Zachary Beasley, employee of defendant Commonwealth Edison Company, utility and energy delivery company ("ComEd"), his wife, and Ideas N Mind, Inc., corporation they formed for purposes of producing creative works for advertising purposes, sued ComEd for use of plaintiffs' "handshake image" on ComEd's Safety Rule Books. Beasley was crew leader at ComEd who was artist on side. ComEd used Beasley's work on occasion, and asked Beasley to create image for use on Safety Rule Book. Beasley created image of handshake, and claimed he advised ComEd that use of image was to be limited to 1997 Safety Rule Book. As image had to be reduced and able to be scanned for ComEd's use, Beasley's wife outlined sketch of handshake image created by Beasley. ComEd then used image on 2003 and 2009 Safety Rule Books, allegedly without plaintiffs' permission or knowledge. Beasley argued that he first became aware of ComEd's use on 2009 book when he attended training session in March 2009. He claimed that he was unaware of 2003 use until deposition. ComEd contended that it would have been impossible for Beasley to not be aware of its use of image on 2003 Safety Rule Book, as employees were required to carry book. Beasley argued, however, that only new employees received new covers for books, and there were not any new employees on his crew. ComEd also argued that Beasley would have seen 2009 Safety Rule Book in "roll out" session in January 2009. Beasley claimed, however, that he did not attend session. Parties also disagreed as to when Beasley first complained about ComEd's use of image. Beasley claimed he verbally complained as soon as he found out about ComEd's use in March 2009, while ComEd claimed Beasley did not object until months later, through e-mails. Plaintiffs Beasley, wife and Ideas N Mind sued for copyright infringement, and both sides moved for summary judgment. ComEd claimed that it used handshake image pursuant to express license, or in alternative, implied license. As exclusive license must be conveyed in writing, ComEd relied on two letters written by Beasley to support its claim. In first letter, Beasley stated that he designed cover of safety book, but failed to state he owned work. ComEd argued that such silence was significant. Court disagreed, finding Beasley's failure to make specific assertion of ownership did not indisputably constitute transfer of ownership. In second letter, Beasley stated that he had "given" several images to ComEd. ComEd argued use of word "given" was express license. Court again disagreed, noting that Beasley conceded he gave ComEd image, but claimed it was only for use in 1997. With respect to implied license, ComEd argued that Beasley granted permanent im-

plied license when he gave logo to ComEd. Beasley argued license was for 1997 only, and fact that ComEd stopped using image in 1998 proved ComEd was aware of limitation. ComEd argued that since Beasley did not object for some time, he intended and agreed to ComEd's use of image on 2003 and 2009 books. Court found that jury may find that Beasley was unaware of ComEd's use in 2003 and 2009, and that when he became aware he objected immediately. Accordingly, court denied both parties' motions for summary judgment.

Boatman v. U.S. Racquetball Association, No. 12-1590, 2014 U.S. Dist. LEXIS 43469 (D. Colo. Mar. 31, 2014)

Plaintiff brought suit for infringement of photographs taken during U.S. Open, based upon allegation that defendant had exceeded scope of licenses granted by plaintiff. Court denied both parties' respective motions for summary judgment. With respect to plaintiff's summary judgment motion, court held there was genuine dispute as to whether defendant's actions exceeded scope of license, because license term permitting only "editorial use" of photographs was ambiguous, and testimony was unclear as to parties' intent as to meaning of term. Court similarly denied defendant's motion for summary judgment seeking finding that infringement was "innocent" for purposes of statutory damages, since there remained questions of fact concerning extent to which defendant knew or should have known that uses at issue exceeded scope of licenses, since certain uses could be said to be "commercial" in nature, and arguably in violation of term permitting only "editorial use."

Virtual Studios, Inc. v. Hagaman Industries, 984 F. Supp. 2d 830 (E.D. Tenn. 2013)

Court denied defendant's motion for summary judgment. Plaintiff graphic design company created virtual room scene images for carpet and flooring manufacturers to display product. Plaintiff photographed actual rooms, then digitally manipulated photograph in order to display multiple flooring options. Defendant was carpet manufacturer for whom plaintiff provided room scene services. Plaintiff alleged that it gave defendant three purchase options: one which would have allowed plaintiff to purchase full copyright ownership in room scene image, one which would give one-year non-exclusive license, and one which would give one-year exclusive license. Plaintiff claimed defendant chose one year non-exclusive license, as evidenced by terms and provision on invoices sent to defendant, which stated that plaintiff was providing defendant with unlimited use for one year period. Eight of nine invoices sent to defendant undisputedly contained those terms and conditions. Neither plaintiff or defendant could recall specific conversations relating to which option defendant chose to

purchase. Defendant stated that it most likely approved invoices, but argued that it did not specifically agree to one-year license term, and that it would not have purchased anything less than full ownership. Court found factual dispute existed as to whether defendant agreed to one-year term.

Karlson v. Red Door Homes, LLC, No. 11-1511, 2014 U.S. Dist. LEXIS 59876 (N.D. Ala. Apr. 30, 2014)

On remand, district court granted defendants' motion for summary judgment, finding defendants had implied, irrevocable license to use and distribute plaintiff's copyrighted works. Plaintiff created renderings for new home plans for marketing materials. Defendants designed new homes, and would provide home plans and building packages to builders or licensees. Defendants hired plaintiff as independent contractor, and would provide plaintiff's renderings as part of packages to builders or licensees upon request. Plaintiff asserted that he owned copyrights in his renderings since 1998. When hired by defendants in 2008, plaintiff placed language on his invoices that stated that he was transferring to defendants limited copyright to reproduce his artwork, and such artwork could not be transferred to other entities without his express permission. Parties never discussed such language. In 2009, plaintiff sent email to defendants demanding royalties based on number of builders using his renderings, and claimed that defendants distributed works without his knowledge. Defendants responded to email stating this was not their agreement, but offered to continue to work with plaintiff if he created renderings for one-time price. Plaintiff thereafter registered his copyrights, and sued defendants for infringement. District court previously granted defendants' motion for summary judgment, finding defendants had implied license to use renderings. Eleventh Circuit vacated order, however, and remanded case, as parties had not had opportunity to brief issue of implied license. On remand, court noted sole dispute in implied license analysis was whether plaintiff intended that defendants use and distribute artwork. Plaintiff argued genuine issue of material fact existed as to plaintiff's subjective intent. Court disagreed; "subjective intent is irrelevant." Court analogized instant case to *Latimer v. Roaring Toyz, Inc.*, 601 F. 3d 1224 (11th Cir. 2010), in which Eleventh Circuit found defendant was granted implied license for use of artwork that was later photographed and distributed by defendants and media, because plaintiff created artwork at defendants' request, delivered artwork to defendants, and knew artwork would be publicly displayed and photographed by media. Court determined that defendants requested plaintiff to create artwork, and because plaintiff knew defendants were going to display designs to licensees and customers to encourage purchase of new home plans, it was reasonable to infer plaintiff intended artwork to be distributed by defendants. Court therefore

found plaintiff, at minimum, granted defendants implied license to copy and distribute his work. Plaintiff argued that copyright statement on invoice he submitted to defendants "protected his work," but court disagreed, finding plaintiff's arguments speculative and contrary to evidence. Plaintiff additionally argued that assuming implied license existed, he withdrew license when he sent defendant email which requested renderings to be destroyed. Defendants argued that because they paid for work, license was irrevocable. Court agreed with defendants, finding that because plaintiff received consideration for license, plaintiff could not unilaterally revoke license. Accordingly, court granted defendants' summary judgment motion, finding defendants had implied, irrevocable license.

IV. FORMALITIES

A. Registration

Alicea v. Machete Music, 744 F.3d 773 (1st Cir. 2014)

Angel Martinez Alicea, along with associated music producers, brought action for copyright infringement and breach of contract against defendant Machete Music. Plaintiffs alleged that Machete infringed copyrights and breached contracts to which plaintiffs were parties and/or were third-party beneficiaries. Plaintiffs signed producer agreements with Machete, entitling them to royalty payments for songs produced. Plaintiffs produced seven songs in "reggaeton" genre for group known as "Erre XI," entitled *Al Desnudo*, *Carita Bonita*, *Dimelo*, *Ella Me Amo*, *La Carta*, *MSN*, and *Te Hice Volar*. Court found that melodies to songs remained nearly identical to versions produced by plaintiffs, but many of plaintiffs' musical and vocal contributions were replaced with work of other artists. Machete argued that plaintiffs had failed to show that they had registered copyrights, as required by § 411(a). District court granted Machete's motion for summary judgment, finding that plaintiffs, after two years of litigation, had not satisfied registration precondition, and had not shown that all registration materials had been submitted to Copyright Office. Four weeks after decision, plaintiff filed motion to reconsider under Fed. R. Civ. P. 59(e), claiming "new evidence," including copyright registrations for *Carita Bonita* and *MSN*. District court denied motion, and appeal followed. Court agreed with district court finding that under either "application" or "registration" approach to fulfilling registration requirement, grant of summary judgment to Machete was appropriate, since there was no evidence as to whether copies of sound recordings submitted to Copyright Office met all requirements for deposit copies. Plaintiff submitted email from Copyright Office explaining that "the Office was still 'waiting to resolve' the question of 'whether a copy of an unauthorized track, that contains the original composition embedded in the track, can be used as deposit material.'"

Since plaintiff had failed to submit adequate deposit materials to Copyright Office, district court granted summary judgment, and appeal court affirmed. Court also found that registrations subsequently obtained for *Carita Bonita* and *MSN* did not represent "newly discovered evidence" warranting reconsideration under Rule 59(e).

Silicon Knights, Inc. v. Epic Games, Inc., No. 12-2489, 2014 U.S. App. LEXIS 177 (4th Cir. Jan. 6, 2014)

Fourth Circuit affirming lower court's decision, holding that district court did not err in denying plaintiff's request for judgment as matter of law on defendant's copyright infringement and trade secrets counterclaims, both of which proceeded to trial resulting in jury verdict against plaintiff. Plaintiff licensed video game engine from defendant for use in development of new game. Plaintiff asserted fraud-based claims against defendant on grounds that defendant made false representations regarding functionality of its video game engine. In turn, defendant asserted infringement and trade secret counterclaims based on plaintiff's admitted use of 20% of defendant's code in development of authorized game, as well as copying of code for use in another project that was not authorized under parties' written agreement. Plaintiff argued that defendant failed to prove that it held valid copyright in game engine because defendant "failed to introduce into evidence the portions of that work deposited with The United States Copyright Office." In upholding lower court's denial of plaintiff's and grant of defendant's motion for judgment as matter of law, Fourth Circuit found that copyright registration is sufficient evidence of valid copyright, and copyright holder need not place into evidence "certified or deposit copies of . . . the compositions" at issue to prove that it holds valid copyright. Court further held that plaintiff's copying was not *de minimis*.

Redd Group v. Glass Guru Franchise Systems, No. 12-4070, 2013 U.S. Dist. LEXIS 95651 (N.D. Cal. July 8, 2013)

Plaintiff, owner of patent for glass and window repair technology, filed action against defendants alleging copyright infringement of promotional materials, based on defendants' production and dissemination of promotional materials in which "instructions and marketing materials for defendants' product [were] substantially similar to the protectable elements of" plaintiffs' copyrighted materials. Defendants moved to dismiss claim because complaint did not allege pre-registration or registration of copyrighted works at issue as required by § 411(a), and on grounds that plaintiffs inadequately described which materials infringed plaintiffs' copyright. Plaintiffs conceded registration deficiency, and sought leave to amend complaint to include allegation. Court granted defendants' motion to dismiss, but allowed plaintiffs leave to amend to address registration

issue and identify which of defendants' materials allegedly infringed plaintiffs' copyright.

Panoramic Stock Images, Ltd. v. McGraw-Hill Cos., 961 F. Supp. 2d 918 (N.D. Ill. 2013)

Court denied defendant's motion to dismiss copyright infringement action by plaintiff, stock photograph licensor, alleging that defendant licensee had exceeded scope of license by publishing photos in unauthorized publications. Court rejected defendant's argument that plaintiff lacked valid copyright registrations for infringed photographs. Defendant argued that (1) certain of plaintiff's registrations were not valid because registrations did not include names of authors and title of each work; and (2) plaintiff was not entitled to enforce its copyright in certain other photographs because plaintiff had submitted copyright application but had not yet received registration certificate from Copyright Office. Court rejected both of defendant's arguments, holding that (1) pursuant to Copyright Office's interpretation of § 409, registration of collective work could cover its component works, so fact that author or title was unlisted in registrations did not preclude plaintiff from bringing suit; and (2) court followed "application approach," i.e., that pending copyright applications are sufficient basis for filing copyright infringement lawsuit. Accordingly, defendant's motion to dismiss was denied.

V. INFRINGEMENT

A. Access

Wager v. Littel, No. 13-1683, 2014 U.S. App. LEXIS 154 (2d Cir. Jan. 6. 2014)

Second Circuit affirmed dismissal of *pro se* plaintiff Monique Wager's copyright infringement action against Jonathan Littell and HarperCollins Publishers, Ltd., taking into consideration fact that Wager was *pro se* in district court. Court found that Wager failed to plead access by Littell to work in question. Wager alleged that work was loaned to three unidentified people, but failed to further plead any contacts or connections between those people and Littell. Court also found that there was no striking similarity between works. Works were fictional depictions of World War II; court found that no author can claim copyright protection for "such historical themes or in public source material relating to them." Court further noted that references in both works to common events was insufficient to plead striking similarity, and thereby raise plausible inference of access.

Loomis v. Cornish, No. 12-5525, 2013 U.S. Dist. LEXIS 162607 (C.D. Cal. Nov. 13, 2013)

Court granted summary judgment to defendants in action alleging infringement of copyright in composition titled *Bright Red Chords*. Loomis obtained copyright registration for *Bright Red Chords*, and released song on albums including *Nagasha* and *Space Camp*. Loomis contended that defendants' *Domino* infringed *Bright Red Chords* copyright. To establish copyright infringement, plaintiff must prove (1) ownership of valid copyright, and (2) copying of protected elements of owner's work. Absent evidence of direct copying, plaintiff must show access to work and substantial similarity between works in question. Where there is no direct evidence of access, circumstantial evidence can be used to prove access, either by (1) establishing chain of events linking plaintiff's work and defendant's access, or (2) showing that plaintiff's work has been widely disseminated. Loomis argued that five of defendants' executives had copy of *Bright Red Chords*, and that writers of *Domino* therefore had sufficient access. Court found that this "link between intermediary and alleged infringer was a thin, tenuous, corporate connection." Loomis further argued that two non-employees could have served as intermediaries. Loomis alleged that his former guitar player worked as writer on separate project with employees of UMG; however, court found no access, explaining that Loomis failed to provide respective roles of guitar player and UMG employees on project, and also failed to assert "how or in what manner" these roles overlapped. Loomis also alleged that he gave copy of *Bright Red Chords* to Rodney Jerkins, who often worked with three of *Domino*'s writers. Court again concluded access was not sufficiently alleged, finding that Loomis provided no evidence "beyond bald assertions, made without personal knowledge, that Jerkins actually worked with any of the Domino writers." Finally, court found that Loomis failed to sufficiently allege widespread dissemination or striking similarity.

Moore v. Lightstorm Entertainment, No. 11-3644, 2014 U.S. Dist. LEXIS 6017 (D. Md. Jan. 16, 2014)

District court granted defendants' motion for summary judgment. Plaintiff, science fiction screenwriter, sued defendant James Cameron and his production company Lightstorm Entertainment, Inc., claiming defendants used content from plaintiff's copyrighted works to create movie *Avatar*. Defendants moved for summary judgment, arguing plaintiff could not raise genuine dispute of material fact as to whether defendants had access to works, and whether works were substantially similar. Plaintiff moved for summary judgment on issue of defendants' access to works prior to 2003, and on existence of striking and/or fragmented literal similarities between works. Plaintiff claimed defendants had access to works during

two time periods: (1) 1994 through 1996; and (2) 2003 through 2005, both of which were prior to time defendants pre-registered *Avatar*. During former period, plaintiff alleged that he gave his screenplay to production assistant, who may have given script to Cameron and/or future creative executive of Lightstorm. As production assistant denied relaying script, court found plaintiff's argument to be mere speculation. Defendants admitted access in 2003, as plaintiff submitted scripts to creative executive of Lightstorm. According to defendants, however, creative executive sent scripts to third party upon receipt, in line with company practice, and neither Cameron nor creative executive read or discussed scripts. Plaintiff pointed to cases where despite such denials, court found issue as to access as there was clear evidence of channel of communication between individuals who received work and defendants. Plaintiff relied on *Bouchat v. Baltimore Ravens, Inc.*, 228 F.3d 489 (4th Cir. 2000), in which defendants denied receiving drawings at issue, but court found denials not dispositive, as plaintiff sent work to individual who worked in close proximity to defendants, and individual told plaintiffs he would pass work on to defendants. Court distinguished *Bouchat*, however, noting that creative executive never offered to pass script to Cameron, and that production companies routinely receive screenplays and therefore have protocol, which was followed in instant case, to ensure there is no infringement. Plaintiff also argued that corporate receipt doctrine should apply, relying on *Robinson v. New Line Cinema*, 211 F.3d 1265 (4th Cir. 2000). Court found that cases that rely on corporate receipt doctrine involve situations where recipients of allegedly infringed work have worked closely with alleged infringers. Court noted that other courts have rejected "bare corporate receipt" as sufficient proof of access, requiring plaintiff to introduce some evidence that it was "reasonably possible" that paths of infringer and allegedly infringed work crossed. As plaintiff did not introduce such evidence, court found plaintiff failed to prove access.

Kenney v. Warner Brother. Entertainment, Inc., No. 13-11068, 2013 U.S. Dist. LEXIS 169049 (D. Mass. Nov. 29, 2013)

District court granted defendants' motion to dismiss. Plaintiff, screenwriter, director, and actor, alleged that defendants, movie producers, infringed plaintiff's comic book, screenplay and movie *Ghostman*, "a heist thriller about a masked thief" who avoided "the F.B.I. by using ghost-like abilities," with their acquisition of rights to develop movie based upon Roger Hobbs's novel *Ghostman*, alleged "heist thriller" about thief, nicknamed Ghostman, who avoided F.B.I. like ghost. Court granted defendants' motion to dismiss because plaintiff did not plead sufficient facts to show defendants had access to his *Ghostman* screenplay, and failed to show substantial similarity between works. Plaintiff alleged that defend-

ants could have gained access to his work "(1) through registration of his screenplay with the Writer's Guild of America; (2) from his TheGhostmanMovie.com website; and (3) his promotion of the work through 'press interviews' and 'media outlets.'" District court found (1) registration of screenplay with Writer's Guild of America "does not place work in public arena"; (2) plaintiff did not allege website had screenplay or full length film, allowing access; and (3) plaintiff made conclusory claim that work was widely disseminated through media, but did not point to "single instance of such publication." Finally, court found allegation that plaintiff's work and defendants' work having similar themes, lead characters, and titles did not satisfy substantial similarity test. Plaintiff, court noted, had yet to see defendants' screenplay or movie, if either yet existed.

Lyles v. Capitol-EMI Music, Inc., No. 12-751, 2013 U.S. Dist. LEXIS 161137 (S.D. Ohio Nov. 12, 2013)

District court dismissed *pro se* plaintiff's claims that defendant Katy Perry's songs *California Gurls*, *Teenage Dream* and *Last Friday Night* infringed plaintiff's songs *Surfs Edge*, *Netherworld* and *Someone*, and defendants Usher Raymond, Taio Cruz, Lukasz Gottwald, and David Guetta's song *Without You* infringed plaintiff's song *Where*. With regard to access, court found plaintiff did not assert facts that raised "a right to relief above the level of bald speculation." Specifically, pleading access through plaintiff's distribution of songs to public/college radio stations, and in Raymond's case, music companies, did not prove stations played songs and that defendants heard them. Court also found no substantial similarity between songs. In case of plaintiff's *Surfs Edge* and Perry's *California Gurls*, court found allegations of same "oceanside environment setting" represented *scenes a faire* not afforded copyright protection. Moreover, court found oceanside themes were different, with one related to surfing and other to girls from California. Court also found dissimilar melodies in *Surfs Edge* and *California Gurls*. Comparing plaintiff's *Surfs Edge* to Perry's *Teenage Dream*, court found *Teenage Dream* to be "much higher pitched and fast-paced." Next, court found allegedly similar lyrical phrasing of plaintiff's *Netherworld* to last stanza of Perry's *Last Friday Night* showed no similarity in phrasing or subject matter. Finally, as to allegations that Raymond's *Without You* had "very similar main vocal melody" and chord structure to plaintiff's *Where*, court found "[t]he vocal style, lyrics, and melody of the two songs are completed different."

B. Copying and Substantial Similarity

Webb v. Stallone, No. 13-324, 2014 U.S. App. LEXIS 2013 (2d Cir. Feb. 3, 2014)

Appeals court affirmed lower court's dismissal of suit claiming that defendants' film *The Expendables* infringed plaintiff's screenplay, *The Cordoba*. Although lower court dismissed claim on ground that plaintiff failed to establish genuine dispute as to whether defendants actually copied work, appeals court affirmed on alternate ground that works were not substantially similar. Court held that "total concept and feel" of works was distinct, describing *The Expendables* as "a gunfire-riddled 'pure action' flick" while *Cordoba* was "a trickery-based true caper." Moreover, *The Expendables*' 1980s-era action scenes, which included such elements as explosions, gunfire and imagery of skulls and tattoos, contrasted sharply with *Cordoba*'s tale of cunning heist with "sensitive and human characters," "female figures who are independent and capable," and imagery including Mayan villages, horseback riding, and Native American ceremonial costumes.

Hobbs v. John, 722 F.3d 1089 (7th Cir. 2013)

Seventh Circuit affirmed district court's grant of motion to dismiss claim that defendants Elton John and Bernie Taupin's song *Nikita* infringed copyright in plaintiff's song "Natasha." Appellant argued that songs had following similar elements: (1) theme of impossible love between western man and communist woman during cold war; (2) references to events that never happened; (3) descriptions of beloved's light eyes; (4) references to written correspondence to beloved; (5) repetition of beloved's name, word "never," phrase "to hold you," phrase "I need you," and some form of phrase "you will never know"; and (6) title which is one-word, phonetically-similar title consisting of three-syllable female Russian name, beginning with letter "N" and ending with letter "A." As to first element, court held that although both songs tell story of impossible love, songs tell different stories about such love. As to second, third and fourth elements, court held that although songs express similar ideas, they do so in different ways. As to fifth and sixth elements, court held that although elements are expressed in similar ways, elements are rudimentary, commonplace, standard, or unavoidable in popular love songs. Court held further that repetition is ubiquitous in popular music. Thus, songs were not substantially similar as matter of law.

Star Fabrics, Inc. v. DKJY, Inc., No. 13-7293, 2014 U.S. Dist. LEXIS 2775 (C.D. Cal. Jan. 9, 2014)

District court granted in part and denied in part plaintiff's motion for default judgment. Plaintiff, owner of collection of fabric design copyrights, filed suit after discovering defendants' use of allegedly infringing patterns; defendants never responded. In assessing substantial similarity, Ninth Circuit employs two-part test: plaintiff must show substantial similarity of works' "general ideas" under extrinsic test and substantial similarity of "protectable expression" under intrinsic test. Substantial similarity was found between two of four designs. First design was paisley pattern. Court determined that accused design was substantially similar, despite slight difference in color, because overall objective elements of paisley rows were substantially similar, including kidney-bean shape, blue border, base, and paisley design, shape, positioning, and design detail. Second design was peacock eye design. Accused design was substantially similar because pattern included same peacock-eye arrangement as protected pattern, with same overall color scheme. Despite slight color differences and slightly wider peacock eyes, comparison of patterns revealed defendant closely copied plaintiff's arrangement. Both consisted of small blue eye amid field created by four white ones; order of color rings in eyes was nearly identical; and look and feel of design was substantially similar. No substantial similarity found with respect to last two designs, because objective, protectable elements were not similar. In third, accused pattern was in different colors, more muted, less saturated, and did not match "striking contrast" of protected pattern. "Minute similarities" were not sufficient to rise to level of infringement. In last design, protected design featured purple, violet and black undulating lines in distorted chevron pattern with white, purple, and salmon dots nested in waves. Accused pattern was largely monochromatic, with occasional spots of yellow coloring, and did use not same hues or pattern of repetition of hues as copyrighted design, and therefore was not substantially similar.

VMG Salsoul, LLC v. Ciccone, No. 12-5967, 2013 U.S. Dist. LEXIS 184127 (C.D. Cal. Nov. 18, 2013)

Plaintiff brought suit for infringement alleging defendant Madonna's famous song *Vogue* "sampled" and appropriated single horn tab from plaintiff's song *Love Break*. Court granted defendant's motion for summary judgment dismissing infringement claim. Court held that single horn stab, unaccompanied by any lyric and not part of song's "hook," was insufficiently original to merit copyright protection. Plaintiff's claim that horn stab was part of unique "call and response" pattern was held to be musical idea, not particular expression, that was common in music industry. Additionally, even if single horn stab was protectable, alleged appropriation

was *de minimis*, and thus failed to sustain claim for infringement. Court held that no reasonable audience would find sampled portion "qualitatively or quantitatively significant" in relation to plaintiff's work.

Stutts v. Texas Saltwater Fishing Magazine, Inc., No. 13-10, 2014 U.S. Dist. LEXIS 53839 (S.D. Tex. Apr. 18, 2014)

District court granted defendants' motion for summary judgment, finding no reasonable juror could conclude works to be substantially similar. Texas Gulf Coast was popular area for saltwater fishing. In 1997, plaintiff created website, *texassaltwaterfishing.com*, where Texas saltwater fishing guides advertised their services. Since its inception, plaintiff displayed logo on website that contained photograph of sunset in shape of Texas along with silhouette of fisherman, and words "Texas Saltwater Fishing" overlaying image of Texas. Plaintiff owned copyright registration for elements of website, including logo. In 2001, defendants purchased saltwater fishing magazine, which they subsequently named Texas Saltwater Fishing Magazine. In 2006, defendants used nameplate that contained original drawing of wade fisherman set against backdrop of map of Texas, and words Texas Saltwater Fishing in large font, with word Magazine in cursive beneath them. In 2010, defendants revised nameplate, by replacing sunset background with plain background, by doubling size of word FISHING, and by removing images of fish that surrounded margins, keeping only main image of fisherman. Plaintiff sued for copyright infringement of 2006 and 2010 logos. Defendants filed motion for summary judgment arguing no reasonable juror could find works substantially similar. Court noted that although question of substantial similarity should be left to ultimate fact finder, summary judgment may be appropriate if "no reasonable juror could find substantial similarity of ideas and expression." Court applied ordinary observer test, and while it found 2010 logo easier case, determined that neither of defendants' works could be found to have same aesthetic appeal as plaintiff's logo. Court noted it could only compare protectable elements of works, and therefore it could not consider that both parties' works contain (1) image of Texas; (2) words Texas Saltwater Fishing; and (3) sunset background. Court must look beyond separate, unprotectable elements, and must consider similarities in overall arrangements of works. Court found that although subject in works was fishing, plaintiff's and defendant's works differed, as (1) images of Texas differed in size, prominence and color; (2) images of fisherman differed in positioning and type of fishing they portrayed; and (3) fonts in works differed in color and/or stylization. Court noted that works at issue had fewer commonalities than other cases in which courts found infringement standard was not met as matter of law. Accordingly, court granted defendants'

summary judgment motion with respect to copyright infringement of logos.

American Registry of Radiologic Technologists v. Bennett, No. 12-109, 2013 U.S. Dist. LEXIS 120548 (W.D. Tex. Aug. 26, 2013)

District court entered judgment against defendant for copyright infringement. Plaintiff was developer and administrator of certification exams for radiologists. Plaintiff offered exams multiple times each year, and drew its questions for each exam from "Test Item Bank," large pool of questions it maintained. Plaintiff owned copyright registration for Test Item Bank. Plaintiff reused questions on exams in successive years, as well as across multiple examinations in same year. Defendant was certified radiologist and developer of exam preparation course for plaintiff's exams. Defendant, who knew that plaintiff reused exam questions, solicited former test takers to send her questions from prior exams, which she would relay to students in her exam preparation course. Plaintiff learned of defendant's actions, and as result, was forced to retire eighty-seven questions from Test Item Bank. Plaintiff filed suit against defendant for copyright infringement. Court found plaintiff owned valid copyright in Test Item Bank, despite defendant's contention that plaintiff owned rights only in compilation, and not actual questions. Court also found defendant had access to questions through her students. Court, applying "ordinary observer test," determined that while questions were not identical, they were substantially similar. When making side-by-side comparison, court found lay observer would overlook fact that plaintiff's and defendant's questions and answer choices were not word-for-word, and would conclude defendant copied from plaintiff. Court therefore found defendant infringed plaintiff's copyright in Test Item Bank.

Sieger Suarez Architectural Partnership, Inc. v. Arquitectonica International Corp., No. 13-21928, 2014 U.S. Dist. LEXIS 19140 (S.D. Fla. Feb. 14, 2014)

Plaintiff, architectural firm, sued defendant, competing architectural firm, alleging that defendant's condominium design infringed plaintiffs' copyrighted architectural design. Court, applying Eleventh Circuit precedent from non-architectural infringement cases, decided issue of substantial similarity on defendant's motion to dismiss under Rule 12(b)(6), for first time in case involving architectural works. Court reviewed architectural designs at issue, included as exhibit in plaintiff's amended complaint, and found works not substantially similar as matter of law. Court found designs only "conceptually similar." Therefore, court found defendant did not infringe protectable elements of plaintiff's architectural design, and granted defendant's motion to dismiss.

Lyles v. Capitol-EMI Music, Inc., No. 12-751, 2013 U.S. Dist. LEXIS 161137 (S.D. Ohio Nov. 12, 2013)

District court dismissed *pro se* plaintiff's claims that defendant Katy Perry's songs *California Gurls*, *Teenage Dream* and *Last Friday Night* infringed plaintiff's songs *Surfs Edge*, *Netherworld* and *Someone*, and that defendants Usher Raymond, Taio Cruz, Lukasz Gottwald, and David Guetta's song *Without You* infringed plaintiff's song *Where*. With regards to access, court found plaintiff did not assert facts that raised "a right to relief above the level of bald speculation." Pleading access through plaintiff's distribution of songs to public/college radio stations, and in Raymond's case, "music companies," did not prove stations played songs, and that defendants heard them. Court also found no substantial similarity between songs. In case of plaintiff's *Surfs Edge* and Perry's *California Gurls*, court found allegations of same "oceanside environment setting" represented *scenes a faire* not afforded copyright protection. Moreover, court found oceanside themes were different, with one related to surfing and other to girls from California. Court also found dissimilar melodies in *Surfs Edge* and *California Gurls*. Comparing plaintiff's *Surfs Edge* to Perry's *Teenage Dream*, court found *Teenage Dream* to be "much higher pitched and fast-paced." Next, court found allegedly similar lyrical phrasing of plaintiff's *Netherworld* to last stanza of Perry's *Last Friday Night* showed no similarity in phrasing or subject matter. Finally, as to allegations that Raymond's *Without You* had "very similar main vocal melody" and chord structure to plaintiff's *Where*, court found "[t]he vocal style, lyrics, and melody of the two songs are completed different."

Bowen v. Paisley, No. 13-414, 2013 U.S. Dist. LEXIS 170337 (M.D. Tenn. Dec. 3, 2013)

Plaintiff, songwriter, sued country music recording artists Brad Paisley and Carrie Underwood, and other music producers and publishers, alleging infringement of plaintiff's song *Remind Me*. Defendants moved to dismiss complaint under Rule 12(b)(6). Record established that plaintiff wrote, recorded and performed versions of *Remind Me* over number of years in and around Nashville, including at "Country Music Songwriting Workshop" attended by defendant music publisher. Defendant music publisher later worked with defendants Brad Paisley and Carrie Underwood to compose and record song titled *Remind Me*. For purpose of motion to dismiss, parties did not dispute defendants' access to plaintiff's copyrighted song. Question before court thus was whether plaintiff could plausibly demonstrate that copyrightable elements of defendants' song were substantially similar to copyrightable elements of plaintiff's song. Court found plaintiff demonstrated that "taken in combination, the lyrics and associated melodies, intonations, and usage [of plaintiff's song] could be sufficiently origi-

nal to constitute protectable material." Comparing respective songs, court found that, notwithstanding certain lyrical and melodic differences, "hooks" of respective songs (i.e., catchiest and most distinctive elements of both songs) were sufficiently similar to support claim for infringement. Accordingly, court denied defendants' motion to dismiss.

GeoSpecl Systems, LLC v. Infrastructure Corp. of America, No. 13-407, 2013 U.S. Dist. LEXIS 110519 (D. Colo. Aug. 6, 2013)

District court denied plaintiff's motion for default judgment on copyright infringement claim. Plaintiff GeoSpec was software company that specialized in creating resource planning and mobile field management software. GeoSpec and defendant Infrastructure Corporation of America entered into Professional Service Agreement ("Agreement"). Under Agreement, defendant contracted to pay GeoSpec to provide certain software services, and received license to use GeoSpec's object code. Agreement also required defendant to maintain confidentiality of GeoSpec's software and source code. During course of Agreement, GeoSpec learned that one of its competitors had inserted software trackers in GeoSpec's object code, which could not have been done without defendant's permission. Defendant thereafter gave GeoSpec notice that defendant intended to terminate Agreement within 30 days. Defendant had outstanding balance of around $60,000 for GeoSpec's services. GeoSpec therefore made demand for payment, and requested that defendant cease and desist using GeoSpec's software updates until it paid. Defendant failed to pay, and refused to stop using software. GeoSpec therefore sued for copyright infringement. Defendant failed to respond to complaint, and GeoSpec moved for default judgment. Court found that GeoSpec failed to allege facts to support finding that defendant infringed GeoSpec's copyright. While GeoSpec showed ownership of valid copyright, by submitting registration, and was able to prove defendant had access to GeoSpec's object code, court found that GeoSpec failed to prove that defendant copied protectable elements of plaintiff's object code, and that those protectable elements comprised "substantial part of plaintiff's program when considered as whole." Court noted that with regard to computer systems, Tenth Circuit adopted "abstraction-filtration-comparison" test to determine scope of infringement claim. Under test, court found GeoSpec did not adequately allege GeoSpec copied elements of its copyright object code that were "of such importance to the copied work that the appropriation is actionable." Accordingly, court found facts alleged in complaint, even if accepted as true, did not support finding that defendant infringed.

Moore v. Lightstorm Entertainment, No. 11-3644, 2014 U.S. Dist. LEXIS 6017 (D. Md. Jan. 16, 2014)

District court granted defendants' motion for summary judgment, finding plaintiff failed to demonstrate valid claim of copyright infringement. Plaintiff science fiction screenwriter sued defendant James Cameron and his production company, Lightstorm Entertainment, Inc., for allegedly using content from plaintiff's copyrighted works to create movie *Avatar*. Defendants moved for summary judgment, arguing plaintiff could not raise genuine dispute of material fact as to access or substantial similarity. Plaintiff moved for summary judgment on issue of defendants' access to works prior to 2003, and on existence of striking and/or fragmented literal similarities between works. Court found defendant failed to prove access, but noted that it might still find infringement if plaintiff could prove "striking similarity" between works. Court therefore analyzed whether plaintiff's screenplays for *Aquatica* and *Descendants: The Pollination* were extrinsically similar to *Avatar*. Under extrinsic test, court found parties' expert reports as well as works themselves made clear there were no substantial similarities in relevant elements. Court first analyzed plot, theme and sequence of events, and found that even at "highest level of generality" plots were "quite different." While works shared commonalities, i.e., *Pollination* and *Avatar* involved love affairs between individuals who joined together to fight common enemy; and *Aquatica* and *Avatar* were science-fiction futuristic stories about conflicts between two groups of people, court found such "broad plot similarity" not to be protected expression. Court then evaluated setting, as plaintiff alleged (1) that *Avatar* and *Pollination* were similar insofar as both were "set on a lush, exotic world covered by gargantuan, alien flora and super trees in a forest of giant tree/tree limbs, vast foliage, giant vines and leaves"; and (2) that *Avatar* and *Aquatica* were similar as both featured bioluminescence, dramatic foliage and large, rainforest-like plants. Court found that alleged similarities in settings were either too general to be protectable, or were *scenes a faire*. Court also noted that other courts had denied claims of substantial similarity where settings were far more similar than those at issue. Court then evaluated similarities between characters and dialogue. Plaintiff argued that protagonists in movies were similar insofar as they were young male soldiers who were "brave, adventurous and strategic," and "led revolts against those who would plunder their world." Court found characteristics to be stock character traits, and described numerous other protagonists with same characteristics in battle films throughout history. Court lastly evaluated mood and pace of works, finding plaintiff's works differed markedly from *Avatar*; plaintiff's works were action-packed war stories, while *Avatar* was more about relationships. Court then conducted intrinsic test. Plaintiff alleged *Avatar* contained "extrapolated expressions of

ideas" from *Pollination* and *Aquatica*, and stated that he could cite over 100 substantial similarities and at least seven fragmented literal similarities between works. Court found such assertion mischaracterization of intrinsic test, noting that courts have consistently held lists of random similarities are insufficient. Court also noted total concept and feel of works were "palpably different." Plaintiff also argued it was entitled to summary judgment as there were eight "literal similarities" between works (*e.g.*, main characters in both works speak to group of people gathered at "Eastern Sea"). Court found such similarities to be *scenes a faire*, and stated that they do not represent "qualitatively important or crucial elements" of works. Court therefore granted summary judgment for defendants. As final matter, court stated that it did not need to address plaintiff's argument that it independently created *Avatar*, but noted that defendants submitted persuasive evidence of independent creation by showing past projects by Cameron, as well as evidence of Cameron's inspiration for creating *Avatar*.

Broadcast Music, Inc. v. MWS, LLC, No. 11-1481, 2013 U.S. Dist. LEXIS 111560 (E.D. Mo. Aug. 8, 2013)

District court granted plaintiff's motion for summary judgment, and denied defendants' cross motion for summary judgment, finding defendants' unauthorized public performance of musical compositions was willful copyright infringement. Plaintiff BMI had agreements with copyright owners whereby it acquired non-exclusive public performance rights in musical works, and granted owners and operators of restaurants and bars right to publicly perform any musical works in BMI's repertoire by means of blanket license agreement. Defendants were company and individual who owned and operated establishment "Fifteen," which regularly offered performances of live and recorded music, including music in BMI's repertoire. BMI sent defendants twenty-three letters and called defendants sixty-six times, informing defendants that they needed license for public performances of BMI's works. BMI additionally sent defendants nine letters demanding defendants cease public performances of works until they obtained license. Defendants did not enter into agreement with BMI, and continued to offer performances. BMI hired investigators to visit establishment and document unauthorized performances, and sued defendants for infringement. Court found plaintiffs established *prima facie* case of infringement. Plaintiffs submitted copyright registrations for each work at issue, making *prima facie* showing that songs were original works of authorship and that plaintiffs were proprietors of rights in compositions involved in action. Plaintiff proved works were publicly performed by submitting investigator's reports documenting music, along with audio recordings made by investigators. Finally, plaintiff demonstrated that de-

fendants lacked authorization to publicly perform songs by submitting undisputed evidence that defendants did not have license from plaintiffs, and continued to perform songs without permission. Accordingly, plaintiffs established *prima facie* case of copyright infringement.

Louisiana Contractors Licensing Service, Inc. v. American Contractors Exam Services, Inc., No. 12-560, 2014 U.S. Dist. LEXIS 47658 (M.D. La. Apr. 7, 2014)

Court granted defendant's motion for summary judgment dismissing infringement claim on ground that any copying was *de minimis* and therefore not actionable. Plaintiff brought suit for infringement of copyrighted sample exam problems used to prepare test-takers for state licensing exams. Plaintiff alleged that defendant appropriated fourteen copyrighted exam questions, out of total of 1,083 sample multiple-choice questions. Court held that allegedly appropriated questions represented mere 1.3% of total copyrighted material, and thus was too "minimal" to sustain infringement claim. Moreover, fourteen questions allegedly appropriated were not summary or "wrap up" questions, and therefore were not any more significant than 1,069 other questions that had not been appropriated. Instead, fourteen questions "were merely an insignificant few in the overall mass." Fourteen questions were not "unique," but appeared to be standard questions and concepts in test-preparation business. Because alleged copying could not be anything more than *de minimis*, infringement claim was dismissed.

NoLa Spice Designs, LLC v. Haydel Enterprises, 969 F. Supp. 2d 688 (E.D. La. 2013)

Court granted summary judgment to plaintiff, dismissing counterclaim of copyright infringement of "bead dogs," Mardi Gras bead strings twisted into dog shape. Plaintiff allegedly started making and selling bead dog jewelry in 2012. Defendant alleged that it had commissioned artist to create bead dog to serve as mascot, and had statue created for store. Plaintiff posted photographs of plaintiff's own bead dog jewelry on Facebook. Defendant sent takedown notices to hosts of websites on which plaintiff sold its bead dog merchandise. Plaintiff filed complaint seeking declaratory judgment of non-infringement. Defendant counterclaimed, alleging copyright infringement, and moved for summary judgment. Plaintiff argued (1) that defendant's copyright was invalid; and (2) that plaintiff did not infringe because defendant's bead dog design was only protectible to extent that its expressive elements were distinct from traditional bead dog, and plaintiff's jewelry was comprised only of traditional bead dog elements; therefore, there was no copying and no infringement. Court adopted reasoning from *Herbert Rosenthal Jewelry Corp. v. Kalpakian*, wherein Ninth

Circuit determined that there was no infringement of jeweled bee pin, noting that line between expression and idea may be blurred, especially in situations where are only few ways to express idea. Court determined that there are only so many ways in which to create bead dog, and if court granted exclusive rights to defendant, its monopoly over bead dog, Mardi Gras tradition, would be too expansive.

Computer Automation Systems v. Intelutions, Inc., No. 13-1292, 2013 U.S. Dist. LEXIS 158525 (D.P.R. Nov. 4, 2013)

District court denied defendant's motion to dismiss. Plaintiff technology company created Special Education Automation Software ("SEAS") to assist school districts and state education departments with compliance requirements under Individuals with Disabilities in Education Act. Plaintiff owned copyrights for several aspects of SEAS, and from 2006 to 2012 provided Puerto Rico Department of Education ("PRDE") with "the appropriate software licensing of Plaintiff's proprietary systems and technical support to enable the PRDE to compile and manage the essential data for the special education students of Puerto Rico." In 2010, PRDE contracted with defendant for local assistance with plaintiff's product. Defendant became aware that plaintiff and PRDE were under contract. Accordingly, plaintiff began to provide defendant with data related to students in Puerto Rico. Over time, defendant advised plaintiff it needed access to entire software system, and ensured plaintiff that its intellectual property would be protected. In 2011, defendant engaged in negotiations with PRDE to develop new software application, Mi Portal Especial ("MiPE") to replace plaintiff's program. Plaintiff was unaware of negotiations until it was advised in 2012 that PRDE was replacing SEAS with MiPe. Plaintiff sued defendant for copyright infringement, asserting that MiPE was illegal copy of SEAS. Defendant moved to dismiss for failure to state claim. Defendant first alleged plaintiff failed to show *prima facie* case of infringement, because plaintiff's copyright registration was issued more than five years after publication of work. Court found defendant misinterpreted statute. While plaintiff did not receive benefit of presumption of validity of copyright, since registration issued outside five-year period, plaintiff's allegations regarding its ownership of original product could possibly create *prima facie* case of infringement. Additionally, defendant argued that plaintiff had never seen MiPE, and therefore could not claim products are substantially similar. Court dismissed argument, stating that defendant had "unbridled access" to plaintiff's products, and one of plaintiff's agents heard defendant's agents discussing how to reverse-engineer plaintiff's product. Such allegations cleared initial hurdle of demonstrating probative similarity. Accordingly, court denied defendant's motion to dismiss for failure to state claim for copyright infringement.

C. *Contributory/Vicarious Infringement*

Pryor v. Warner/Chappell Music, Inc., No. 13-4344, 2014 U.S. Dist. LEXIS 22132 (C.D. Cal Feb. 20, 2014)

Plaintiffs, heirs of late musician David Pryor of musical group "Thunder & Lightning," sued defendants, front-man for rap group "House of Pain," record labels and music publishing company, for contributory infringement, alleging House of Pain song *Get Down* infringed plaintiffs' copyright by repeatedly sampling Pryor's voice from sound recording of Pryor's song *Bumpin' Bus Stop*. Defendants moved to dismiss claim under Rule 12(b)(6). Preliminarily, court granted plaintiff's uncontested request to take judicial notice of earlier agreement between Pryor's former music publisher and defendant music publisher, purporting to license right to sample at issue. Next, court noted question of contributory infringement turned on whether defendants knew Pryor's former music publisher lacked authority to register work in publisher's name and license sample of work at issue. However, court found plaintiffs failed to allege facts sufficient to establish that defendant music publisher had knowledge of direct infringement by third parties. Accordingly, court dismissed complaint with leave to amend.

United Fabrics International, Inc. v. G-III Apparel Group, Ltd., No. 13-803, 2013 U.S. Dist. LEXIS 180839 (C.D. Cal. Dec. 27, 2013)

Plaintiff, manufacturer of fabrics featuring copyrighted print designs, sued defendants, retailers and distributors of leather goods, for direct or vicarious and/or contributory infringement based on defendants' sale of handbags and wallets bearing one of plaintiff's copyrighted print designs. Defendants claimed they had no knowledge that design at issue was copyrighted. Record established that division of defendant company previously received sample of plaintiff's fabric bearing copyrighted design from plaintiff, but defendants argued there was no contact between divisions, and sample was not shared within company. Both parties moved for partial summary judgment on issues of infringement, secondary liability, and willfulness. On issue of infringement, defendants conceded striking similarity, but did not concede access, claiming infringement was innocent. Given defendants' concession of striking similarity, court granted summary judgment in favor of plaintiff on infringement. Court found genuine issues of material fact remained with respect to issues of willfulness and innocent infringement, because parties presented conflicting evidence regarding who knew what among divisions of defendants' company. Accordingly, court denied summary judgment on issues of willfulness and innocent infringement. Similarly, given remaining questions of fact as to

defendants' knowledge that print design at issue was copyrighted, court also denied summary judgment on issues of vicarious and contributory infringement.

Muench Photography, Inc. v. Pearson Education, Inc., No. 13-3937, 2013 U.S. Dist. LEXIS 167726 (N.D. Cal. Nov. 25, 2013)

District court dismissed plaintiff's claim for contributory infringement for failure to state claim. Plaintiff alleged contributory infringement against defendant, publisher of educational textbooks, for distributing its photographs without permission to third parties including defendant's subsidiaries and affiliated entities, which published photographs in violation of license limits or without licenses at all. In prior action, *Muench I*, in which plaintiff alleged direct infringement of same photographs by defendant, court granted defendant's motion for summary judgment. In instant action, defendant filed motion to dismiss based on claim preclusion and failure to state claim. Court found that claim preclusion was not applicable here because despite same distribution of photographs being at issue in both cases, "the two actions are ultimately premised upon different theories and different facts," direct infringement and contributory infringement. Court ultimately dismissed claim for contributory infringement because plaintiff never explained factual basis for its belief that third parties were reproducing and distributing plaintiff's photographs, and that plaintiff had right and ability to control third parties' use of photographs.

Broadcast Music, Inc. v. C.B.G., Inc., No. 11-40142, 2013 U.S. Dist. LEXIS 163010 (D. Mass. Nov. 15, 2013)

District court granted summary judgment to plaintiffs, finding owner and operator of venue vicariously liable. Defendants owned and operated Beemer's Pub in Massachusetts, where music was performed. BMI contacted defendants on numerous occasions over fourteen-month period regarding entering blanket license agreement for public performance of BMI-licensed songs at Pub. Defendants did not do so. On two occasions, BMI sent investigators to record songs performed at Pub, where total of fourteen BMI-licensed songs were played. Court denied defendants' novel argument that recordings were obtained in violation of federal and state wiretapping statutes, noting music was publicly performed, not private oral communication, and plaintiffs' agent was permitted to attend as member of public. In any case, even if recordings were omitted from record, investigators' written reports adequately showed songs performed. Court also rejected defendants' argument that there was issue of fact as to lack of authorization to publicly perform songs; defendants adduced no evidence that songs were licensed by another performance rights organization, or that performer at Pub individually had license. Court found Cote,

Treasurer and sole Director of C.B.G., vicariously liable, finding (1) owners and operators of venues where music is played have sufficient ability to supervise performers; and (2) despite Pub having no cover charge, Cote had direct financial interest because music performance was part of total cost for ordering food or drink.

D. Miscellaneous

Fox Television Stations, Inc. v. Filmon X, LLC, 966 F. Supp. 2d 30 (D.D.C. 2013)

Owners and distributors of television content brought suit for infringement against defendant, which offered subscribers ability to watch live over-air television channels through computers and on mobile devices. Court granted plaintiffs' motion for preliminary injunction, finding that plaintiffs were likely to succeed on claim that defendant's service violated plaintiffs' right of public performance. Defendant contended that it had modeled its technology after similar system held non-infringing in *Cartoon Network, LP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008) ("*Cablevision*"), because each subscriber had received "unique" copy of copyrighted programming. Plaintiffs argued that *Cablevision* was wrongly decided, and urged court to adopt reasoning of *Fox Television Stations, Inc. v. BarryDriller Content Systems, PLC*, 915 F. Supp. 2d 1138 (C.D. Cal. 2012) ("*BarryDriller*"), which held squarely to contrary that defendant's system violated copyright owner's right of public performance. Although neither *Cablevision* nor *BarryDriller* decision was binding, court found *BarryDriller* "to be more persuasive." In particular, court found violation of right of public performance under plain language of Transmit Clause since it explicitly encompasses new technologies and every broadcast of television program could be described as "'generated from the same copy'—the original source." Thus, it would be "incongruous to suggest that [defendant] does not 'perform' 'publicly' by making plaintiffs' programs available to any person with an Internet-enabled device." Further, nothing in Act or its legislative history "suggests that Congress intended a commercial entity that rebroadcasts copyright material for consumption by the public, such as [defendant], to avoid liability for infringement of the copyright holders' exclusive right of public performance." In so holding, court agreed with *BarryDriller* that *Cablevision* had been wrongly decided and that, by focusing on "the artifice of one-to-one," it had inappropriately substituted "transmission" for "performance" in its public performance analysis. Because other three factors weighed in favor of plaintiffs, court entered preliminary injunction extending to entire United States except Second Circuit, where *Cablevision* remained binding precedent.

VI. DEFENSES/EXEMPTIONS

A. Fair Use

Authors Guild, Inc. v. HathiTrust, 755 F.3d 87 (2d Cir. 2014)

Second Circuit largely affirmed district court ruling that mass digitization of literary works by consortium of university libraries for highly specialized, non-superseding purposes was fair use. First purpose was to allow general public to perform word searches on full text of digitized works. Search results do not display "snippets" or other human-readable text from works, but merely indicate page numbers on which search terms occur in works. Court held such use is fair, and "a quintessentially transformative use," because "there is no evidence that Authors write with the purpose of enabling text searches of their books." Such search functionality "adds a great deal more" than did other uses previously recognized as transformative; thus first factor favored defendants. Second factor was "not dispositive" in light of transformative purpose. Amount of copying was not excessive relative to purpose because searchability requires digitizing entire works, and maintaining multiple server copies and backup tapes is "reasonably necessary" to "facilitate the [defendants'] legitimate uses." Thus, third factor favored Libraries. Fourth factor, which court termed "single most important element" of fair use analysis (citing *Harper & Row*), also favored defendants because plaintiffs showed no evidence of past harm. Any economic harm suffered from transformative uses "does not count because such uses, by definition, do not serve as substitutes for the original work." Implicitly narrowing *Texaco*'s holding regarding cognizability of lost licensing fees, which court does not cite, Second Circuit found it "irrelevant" that libraries "might be willing to purchase licenses in order to engage in this transformative use . . . Lost licensing revenue counts under Factor Four only when the use serves as a substitute for the original." Court also rejected plaintiffs' argument that hackers might gain access to digitized corpus of works and thus "decimate" traditional market for works. Court found "no basis in the record on which to conclude that a security breach is likely to occur, much less one that would result in the public release" of plaintiffs' works. Defendants' second purpose, making works accessible to print-disabled individuals through magnification and read-aloud speech synthesis software, was also held to be fair, but court rejected district court's finding that such use was transformative. Merely enabling larger audience to access works is not transformative, any more than translation into new language would be transformative. Nevertheless, citing *dicta* in Supreme Court's *Sony* decision and legislative history of Copyright Act, court held that in "unique circumstances" of providing access to print-disabled readers, such use "is still a valid purpose under Factor One even though it is not transforma-

tive." Second factor weighed against fair use but again was "not determinative," and under third factor court found defendants' inclusion of digital image files, as well as text files, was not excessive because image files provide "additional and often more useful method" for serving needs of print-disabled readers. Fourth factor also weighed in defendants' favor because "the present-day market for books accessible to the handicapped is so insignificant" that authors often forego royalties for such uses. As to defendants' third purpose, preservation by member libraries of works not available at fair price in open market, court rejected lower court's finding of fair use and remanded for determination of whether any of plaintiffs have standing to challenge preservation use. Standing would only be proper if plaintiffs themselves actually own copyright in any works being digitized for this preservation purpose.

Seltzer v. Green Day, Inc., 725 F.3d 1170 (9th Cir. 2013)

Ninth Circuit panel affirmed district court's grant of summary judgment for defendants. Plaintiff artist created "Scream Icon," drawing of screaming, contorted face, in 2003. Since then Scream Icon posters had been "plastered on walls" as "street art" in Los Angeles and elsewhere. Defendant Staub, photographer and set-lighting and video designer, photographed brick wall in Los Angeles covered in graffiti and posters, including weathered, torn copy of Scream Icon, and saved picture in his personal library. Staub later was engaged to create video backdrops for Green Day's 2009–10 tour, including backdrop for song "East Jesus Nowhere," in which Staub used photograph he had taken of Scream Icon, modified by adding large red "spray-painted" cross over middle of screaming face, changing contrast and color, and adding black streaks running down right side of face. In 2009 Seltzer learned that Green Day was using Scream Icon, registered copyright, and sent Green Day cease-and-desist letter. Green Day subsequently stopped using video backdrop. Seltzer filed action in 2010. District court granted Green Day's motion for summary judgment that use of artwork in video backdrop was fair use. On first factor, Ninth Circuit found use of Scream Icon transformative. Green Day used original as "raw material" in construction of four-minute video backdrop. It was not simply quotation or republication; although Scream Icon was prominent, it remained only component of what was essentially street-art focused music video about religion and especially about Christianity. Message and meaning of Scream Icon is "debatable," court stated; "[b]ut regardless of the meaning of the original, it clearly says nothing about religion." With spray-painted cross, in context of song about hypocrisy of religion, surrounded by religious iconography, video backdrop using Scream Icon conveys "new information, new aesthetics, new insights and understandings" that were plainly distinct from those of original piece.

Green Day's use of Scream Icon was "only incidentally commercial," court found; band never used it to market concert, CDs, or merchandise. First factor thus weighed in Green Day's favor. On second factor, court found Scream Icon was creative work, meriting strong protection; however, work was widely disseminated before Green Day used it. On whole, second factor weighed only slightly in Seltzer's favor. Under third factor, Green Day copied most of Scream Icon, both quantitatively and qualitatively. However, Scream Icon is not "meaningfully divisible," court found, and use of entire work was necessary to achieve "new expression, meaning or message." As to fourth factor, court noted that Seltzer had repeatedly testified that value of his work was unchanged, and admitted that no one had ever told him that he would not buy Seltzer's work as result of Green Day's use. Scream Icon was "tarnished" for him personally, but he did not view piece as having lost any value. Green Day presented evidence that video backdrop did not perform same "market function" as original, which was primarily intended as street art. Green Day's use, on other hand, was never placed on merchandise, albums, or promotional material and was used for only one song in middle of three-hour touring show. There was thus no reasonable argument that Green Day's conduct was substitute for primary market for artwork. District court thus did not err in granting summary judgment on Seltzer's copyright infringement claims.

Fox Broadcasting Co. v. Dish Network, L.L.C., 723 F.3d 1067 (9th Cir. 2013)

Ninth Circuit affirmed district court's denial of plaintiff's request for preliminary injunction. 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 describers. 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. District court held that plaintiffs did not demonstrate likelihood of success on most copyright infringement claims, except plaintiffs' claims regarding copies of plaintiffs' works that defendant used to test its AutoHop program. Court found direct infringement based on such copies, but held plaintiff failed to establish irreparable harm. On appeal, Ninth Circuit affirmed district court's holding. First, Ninth Circuit found district court did not abuse its discretion in holding plaintiff unlikely to succeed on claim for direct infringement regarding PTAT. Infringement of reproduc-

tion right requires copying by defendants. Ninth Circuit found that district court did not err in finding that user, not defendant, made copies of programs, as defendant operated system used to make copies at user's command. Ninth Circuit also found that district court did not abuse its discretion in concluding plaintiff was unlikely to succeed on claim of secondary infringement. District court properly relied on *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984), for guidance as to whether defendant's customers' copying of plaintiffs' programs was fair use. Under first factor, court found Dish customers' home viewing noncommercial under *Sony*, which held that "time-shifting for private home use" was noncommercial, nonprofit activity. *Sony* also governed analysis of second and third factors; fact that Dish users copied entire copyrighted broadcasts did not have its ordinary effect of militating against fair use. Under fourth factor, Ninth Circuit distinguished case from *Sony*, as secondary market did not exist in *Sony*, but still did not find harm to future market, as any harm would be due to commercial skipping, and not recording of programs for which plaintiff owned copyright. Finally, Ninth Circuit affirmed district court's holding that plaintiff failed to demonstrate irreparable harm caused by copies defendant made of plaintiff's programs for use in testing AutoHop program. Assuming district court was correct that plaintiff would succeed on merits of claim, Ninth Circuit agreed with district court that any harm established by plaintiff did not come from copies, but rather came from AutoHop program. As plaintiff did not prove that copies were integral to AutoHop's functioning, Ninth Circuit found district court did not err in finding such copies were not cause of plaintiff's alleged harm. Accordingly, under its "limited and deferential" review of preliminary injunction, court found district court did not abuse its description in declining to grant plaintiff's preliminary injunction.

Swatch Group Management Services v. Bloomberg, L.P., 742 F.3d 17 (2d Cir. 2014)

Circuit court upheld district court's *sua sponte* grant of summary judgment in favor of defendant on ground of fair use. Plaintiff Swatch, publicly traded company on Swiss stock exchange, held conference call with large group of global financial analysts to discuss recently filed earnings report with Swiss stock exchange ("Earnings Call"). At beginning of conference call, operator stated call not to be recorded for publication or broadcast. After end of Earnings Call, defendant made transcript and sound recording of Earnings Call available online to its subscribers. Swatch sent cease-and-desist letter to remove, followed by initial complaint against Bloomberg for infringement of copyright in sound recording of Earnings Call. After filing complaint, Swatch filed copyright registration with Copyright Office, which would only register copyright claim in connection with state-

ments made by Swatch executives. District court granted summary judgment to Bloomberg based on fair use; Swatch appealed. On appeal, Second Circuit upheld fair use, finding (1) Bloomberg's purpose was to disseminate financial information to American investors, which is critical to American securities markets; (2) transformative use was not absolutely necessary for fair use, particularly here where full reproduction of sound recording was desirable to convey all information; (3) although sound recording was "unpublished," Swatch's copyright was "thin" as it only related to statements from Swatch executives, and due to factual nature of call, put sound recording at "the very edge of copyright's protective purposes"; (4) public interest was better served by dissemination of sound recording in full; and (5) "value" of sound recording was not "its capacity to generate licensing royalties" but to convey information, and thus, Bloomberg's dissemination simply widened audience for Earnings Call, consistent with Swatch's initial purpose. On balance, circuit court found factors favored fair use, and affirmed.

Authors Guild, Inc. v. Google, Inc., 954 F. Supp. 2d 282 (S.D.N.Y. 2013)

District court granted Google's motion for summary judgment, holding Google's scanning of more than 20 million books, creation of electronic database, and making text available for online searching through use of "snippets" was fair use. Court noted Google Books had become "essential research tool, as it helps librarians identify and find research sources, it makes the process of interlibrary lending more efficient, and it facilitates finding and checking citations. Indeed, Google Books has become such an important tool for researchers and librarians that it has been integrated into the educational system — it is taught as part of the information literacy curriculum to students at all levels." First factor "strongly favored" favored fair use. Google Books, court found, uses words for different purpose, using snippets of text to act as pointers directing users to broad selection of books. Google Books thus had 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 were being used in way they had not been used before. Even assuming Google's principal motivation was profit, "Google Books serves several important educational purposes," court found. Under second factor, court found "vast majority" of books scanned were non-fiction, were published and were available to public. As to third factor, while entire books were copied, since one of "keys" to Google Books was offering full-text search of books, full-work reproduction was critical to its functioning; and "significantly, Google limits the amount of text it displays in response to a search." Factor thus weighed "slightly" against fair use. Under fourth

factor, court found plaintiffs' argument that Google Books would negatively impact market, and serve as market replacement for books, did not "make sense." Court held it unlikely that someone would input countless searches to try to obtain enough snippets to comprise entire book. Not only was that not possible, as certain pages and snippets are blacklisted; individual would have to have copy of book in his possession already to be able to piece snippets together in coherent fashion. Reasonable factfinder could only find that Google Books enhances sales of books, to benefit of copyright holders, by helping readers find books they would not otherwise know about, and providing "convenient links to booksellers" to facilitate ordering. Fourth factor thus weighed "strongly" in favor of fair use. Finally, court found Google Books provided significant public benefits without adversely impacting rights of copyright holders. "Indeed, all society benefits."

Dhillon v. Doe, No. 13-1465, 2014 U.S. Dist. LEXIS 24676 (N.D. Cal. Feb. 25, 2014)

Court granted defendants' motion for summary judgment. Plaintiff brought suit alleging infringement of personal "headshot" commissioned in connection with candidacy for California State Assembly, and used in other political campaigns, based on defendants' use of photo in article about plaintiff on defendants' website. Court found first factor weighed in favor of defendants, because website was noncommercial even if defendants realized some financial gain. Use was transformative because unlike plaintiff, who used photo as positive marketing tool, defendants used photo in connection with article criticizing plaintiff; it therefore served purpose of criticism rather than identification. Second factor weighed in favor of plaintiff, because court must view facts in light most favorable to plaintiff, and photographer submitted declaration noting precise creative choices when shooting and developing headshot. Third factor was neutral because entire photo was used, but it would not have been feasible to use any less than entire photo. Fourth factor weighed in favor of defendants, because defendants' use had no negative impact on potential market for or value of headshot; plaintiff could not show that she ever received licensing fee or tried to sell headshot. Defendants' use thus had no impact on actual or potential market. Court found majority of fair use factors, "including the most important factor," weighed in favor of defendant. Accordingly, court found fair use defense applied as matter of law.

Erickson Productions, Inc. v. Kast, No. 13-5472, 2014 U.S. Dist. LEXIS 56711 (N.D. Cal. Apr. 23, 2014)

District court gave leave to amend fair use defense. Plaintiffs, professional photographer and his company, alleged defendant infringed copyrighted

photographs contained on client Wells Fargo's website by posting same photos on website for defendant's company, Atherton Trust. Defendant hired Only Websites, Inc. to develop website, and showed Wells Fargo site to Only Websites as example. Plaintiffs' photos were posted during development stage of Atherton Trust site. Defendant contended incomplete, development version of Atherton Trust site was not supposed to be publicly available; final version of website did not contain plaintiffs' photos. With regard to fair use, court found use of photographs commercial and not transformative; nor was it "for the purpose of criticism, comment, news reporting, teaching . . ., scholarship or research." Defendant contended use of photos on Atherton Trust's site "had no effect on the market value of Plaintiff's work." Court found defendant's position appeared to be based on Atherton Trust website not working properly, never being used by consumers, and no longer being used. Those assertions were not in defendant's pleading, however. Although court found defendant's allegations, even if deemed true, did not support fair use defense, court gave defendant leave to amend.

Vil v. Poteau, No. 11-11622, 2013 U.S. Dist. LEXIS 104943 (D. Mass. July 26, 2013)

District court denied defendant's motion to dismiss infringement claim. Plaintiff founded non-profit, served as its vice president, and was on its board of directors. Defendants also held positions at non-profit and served on its board of directors. Plaintiff created learning program, and obtained copyright registration. Plaintiff alleged that defendants acted to remove plaintiff from non-profit's operations, and continued to reproduce, display, advertise and distribute plaintiff's copyrighted work without authorization. Plaintiff claimed defendants used work to attract donors, and that as result of donations, non-profit's budget grew from $30,000 to over $2 million. Plaintiff sued for copyright infringement. Defendants moved to dismiss, alleging fair use. Under first factor, defendants argued use was non-commercial, as it was used for "non-profit educational purposes." Court stated crux of commercial-noncommercial distinction is not whether work is used for non-profit or educational purposes; rather, it is whether user stands to profit from exploitation of work without paying customary price. Here, plaintiff alleged defendants profited from use of program to solicit donations without giving plaintiff just compensation, recognition or credit. Court also found use was not transformative, as plaintiff created work to be presented to donors, and defendants used work for same purpose. Accordingly, first factor weighed in favor of plaintiff. Court found information in complaint insufficient to analyze remaining three factors. Complaint only stated program was "geared to educate," and thus did not inform court whether work fell on creative or factual end of copyright

spectrum. Complaint also failed to identify portion of work defendants allegedly used. Finally, complaint failed to provide market information with respect to program, and only stated program was intended for "potential donors." As court did not have key information as to market for program, potential competitors, or plaintiff's role in similar organizations, it found that it could not determine fourth, "most significant," factor. As court was only able to adequately consider first factor, which weighed in favor of plaintiff, court found defendants failed to meet burden of demonstrating that their use was fair.

Hill v. Public Advocate of the United States, No. 12-2550, 2014 U.S. Dist. LEXIS 43658 (D. Colo. Mar. 31, 2014)

Plaintiffs, same-sex couple and their wedding photographer, brought suit against organizations opposed to legalization of same-sex marriage, which had appropriated copyrighted photograph of plaintiff couple at their wedding ceremony in New York City. Plaintiffs had posted wedding photograph on their personal blog. Defendants "lifted" photograph for use in mailed political advertisements that disparaged local candidates in Colorado for their perceived support of same-sex marriage rights. Court rejected defendants' motion to dismiss on ground that use of photograph was protected by fair use doctrine. First, court held that use of photograph was not for "educational purposes," as that term was intended under Act, which related to schooling and not to mailers circulated during election. Further, use of photograph was not transformative, since defendants did nothing to lifted portion of photo except remove plaintiff couple's legs and superimpose image onto mailer. Second, inspection of photo revealed that wedding photographer had taken special care in taking photograph appropriate for wedding occasion; work therefore was more creative than informational or functional. Third, defendants' claim that only 20% of photo was appropriated was unavailing, since defendants used "focal point" and most important portion of photo, image of plaintiff couple holding hands and kissing. While fourth factor, effect on potential market of copyrighted work, could not be analyzed at early stage of proceeding, on balance, factors weighed against application of fair use doctrine and permitted infringement claim to proceed.

Neri v. Monroe, No. 11-429, 2014 U.S. Dist. LEXIS 24176 (W.D. Wis. Feb. 25, 2014)

Plaintiffs, blown-glass artists, sued defendants, contractor, interior designer and photographer, for copyright infringement based on defendants' taking and displaying of photographs showing plaintiffs' sculptural work. Record established that defendants commissioned plaintiffs to create blown-glass sculptural feature to be incorporated into entranceway ceiling

of condominium project for client of defendant contractor and interior designer. Defendant photographer was hired by other defendants to document installation of project, both before and after. Subsequently, defendant's photographs of entranceway, partially showing plaintiff's sculptural work, were displayed on defendants' respective websites for limited promotional purposes. Defendants moved for summary judgment that use of sculpture in photographs was fair use. On first factor, court found photographs highly transformative of plaintiffs' work, because "the medium, composition, scale, character, expression and intended use of [defendant's] photographs are completely different from those of the sculpture itself." Although court found second factor favored plaintiffs, third factor favored defendants, because true subject of photographs was entranceway, not plaintiffs' glass feature. Therefore, any copying of plaintiffs' sculpture was incidental. Finally, on fourth factor, court found no evidence that photographs had detrimental effect on market for plaintiffs' work. Since balance of fair use factors favored defendants, court granted summary judgment in favor of defendants.

Kienitz v. Sconnie Nation, 965 F. Supp. 2d 1042 (W.D. Wis. 2013)

District court held that use of photographic image, on t-shirts poking fun at Madison, Wisconsin Mayor Paul Soglin was fair use. In 2011, plaintiff photographer took what became "official portrait" of mayor. Mifflin Street Block Party was annual event that began in 1969 as part of student protest movement on UW-Madison campus, where Soglin was student protest leader. Soglin attended and was arrested at first Block Party, and in 1972 was elected mayor of Madison, and served as mayor for more than fifteen of next forty years. In 2011 interviews, Soglin said of his participation in first Block Party that there was "underlying theme of taking a sharp stick . . . and poking it in the eye of authority," but that he had grown to favor "sense of order," and was interested in "ending this thing." To "criticize in humorous manner" Soglin's opposition to Block Party, defendants created and sold t-shirts and tank tops with Soglin's face from plaintiff's photograph, in lime green against black, outlined in bright blue and wreathed on three sides with phrase "Sorry For Partying" in alternating blue, green and pink spike-font lettering. On learning of t-shirt, plaintiff registered copyright and filed lawsuit. Parties filed cross-motions for summary judgment on issue of whether use of photograph was fair use as matter of law. On first factor, court noted there was "no question that defendants' SFP shirts were at least in part a commercial venture." However, in addition to trying to make "quick buck," defendants were poking fun at mayor by spotlighting what they viewed as "curmudgeonly flip-flop" on Block Party; defendants employed photograph for purposes of "sophomoric humor and political critique." Court cited *Cariou v. Prince* for pro-

position that law imposes no requirement that work comment on original or its author in order to be considered transformative; secondary work may constitute fair use even if it serves some purpose other than those identified in preamble to § 107. "Robust transformative nature" of shirts tipped first factor toward fair use, even taking into account fact that shirts were commercial product. Court found second factor did not strongly favor either side, and therefore attributed it little weight. As to third factor, court found defendants did not take "heart" of photo, using negative image and outline of photograph and figuratively reversing tenor of image. Third factor weighed in favor of fair use because amount and substantiality of photograph used by defendants was "reasonable in relation to the purpose of the copying." On fourth factor, court noted that viewing two images side-by-side was enough to establish that shirts were not substitute for, and did not reduce demand for, plaintiff's photographic portrait of mayor. In sum, court found, factors 1, 3 and 4 favored defendants and factor 2 was "pretty much a toss-up." As result, court concluded, defendants met their burden of establishing fair use.

Levingston v. Earle, No. 12-8165, 2013 U.S. Dist. LEXIS 165746 (D. Ariz. Nov. 20, 2013)

Lynnell Levingston commenced copyright infringement action against Victoria L. Earle for claims involving plaintiff's book *The Road Memoir of Corruption and Abuse of Power* and blog called "Three Men Make a Tiger." Levingston alleged that Earle made copies of book and blog for purposes of litigation from 2008 through to 2012. During infringement action, Levingston filed Chapter 7 petition in U.S. Bankruptcy Court, listing book as asset, but not copyright infringement claims related to book or blog, and not blog itself. Earle moved to dismiss for lack of subject matter jurisdiction, arguing that plaintiff lacked standing. Court found that Levingston lost rights in assets not listed on bankruptcy schedule, and therefore dismissed claims for lack of standing related to copyright infringement of blog, copyright infringement of book prior to filing of complaint, and contributory infringement. Court raised fair use defense *sua sponte*. Earle copied excerpts of book for use in court proceedings against Levingston. Court found such use to be fair, quoting *Religious Technology Center v. Wollersheim*, 971 F.2d 364 (9th Cir. 1992), for proposition that "works are customarily reproduced in various types of judicial proceedings, including obscenity and defamation actions . . . and it seems inconceivable that any court would hold such reproduction to constitute infringement."

Faulkner Literary Rights, LLC v. Sony Pictures Classics Inc., 953 F. Supp. 2d 701 (N.D. Miss. 2013)

Court granted defendant's motion to dismiss copyright infringement claim arising out of defendant's use of single-line quote from William Faulkner's full-length novel *Requiem for a Nun* in feature film *Midnight in Paris*. Court noted that Fifth Circuit precedent "addressing the use of a *de minimis* analysis in copyright cases is largely undeveloped," and so court was reluctant to address it "except within the context of [defendant's] affirmative defense, fair use." In analyzing fair use, court found all factors favored defendant or were neutral. Court found that use was transformative, noting that copyrighted work was "serious piece of literature lifted for use in a speaking part in a movie comedy, as opposed to a printed portion of a novel printed in a newspaper, or a song's melody sampled in another song. This transmogrification in medium tips this factor in favor of transformative, and thus, fair use." Court also concluded that amount copied was minuscule both qualitatively and quantitatively, and there was no perceived negative effect of use on potential market for or value of copyrighted work. Accordingly, no substantial similarity existed between works, and defendant's use was *de minimis*. Use thus was not actionable, and claim was dismissed.

B. Statute of Limitations

Gary Friedrich Enterprises, LLC v. Marvel Characters, Inc., 716 F.3d 302 (2d Cir. 2013)

Court reversed lower court's grant of summary judgment in favor of defendant Marvel, rejecting Marvel's argument that ownership claim of Gary Friedrich, freelance artist who created "Ghost Rider" character, was barred by three-year statute of limitations as matter of law. First, there was genuine dispute as to whether Marvel publicly repudiated Friedrich's ownership claim. Marvel never registered copyright in Ghost Rider character before Friedrich filed suit. Moreover, only clear example of private repudiation of Friedrich's ownership claim occurred less than three years before Friedrich brought suit. Finally, court held, reasonably diligent person would not have been put on notice via doctrine of implied repudiation, because Marvel used Ghost Rider character sparingly and in non-obvious ways in preceding years, and there was also evidence that Marvel had paid Friedrich royalties in connection with 2005 reprint of Ghost Rider comic book, thus suggesting that Marvel also might pay him for further exploitation of Ghost Rider.

Graham-Sult v. Clainos, No. 12-15892, 2014 U.S. App. LEXIS 2297 (9th Cir. Feb. 5, 2014)

Sons of late rock concert promoter Bill Graham brought suit against trustee of individual trusts created for sons, alleging, *inter alia*, claims for infringement regarding copyrights owned by Graham's estate. Plaintiffs alleged that copyrights in posters registered in Graham's name had not been validly assigned to third party entity who purchased business interests owned by estate. Specifically, three weeks after probate court had entered final order of distribution, defendant trustee and executor of estate executed assignment transferring all intellectual property "claimed by or registered in" Graham's name, and backdated assignment before date of probate's final order. Court rejected defendants' statute of limitations defense, premised on claim that plaintiffs had notice of assignment in 1997, and also had notice that Graham had registered copyrights in own name at earlier time. First, court held, plaintiffs were not put on notice regarding assignment because document received by plaintiffs' attorney in 1997 did not attach schedule listing specific intellectual property subject to assignment. Further, because defendant trustee was plaintiffs' fiduciary, plaintiffs were entitled to rely on defendant's "statements and advice" that accountings filed with probate court were complete, and thus circumstances did not give rise to duty by plaintiffs to investigate for purposes of statute of limitations. Second, mere presence of copyright symbols on Graham's posters did not put plaintiffs on notice that defendant trustee had misrepresented that Graham's company (and not Graham personally) owned copyrights at issue, since Graham's company engaged in concert promotion business at time of Graham's death. Furthermore, copyright symbol does not indicate that work is protected by *registered* copyright. Court ultimately reversed lower court's dismissal of infringement claims because plaintiffs pled enough facts to show that assignment was not effective, and that plaintiffs therefore had legitimate claim to copyrights at issue.

Muench Photography, Inc. v. Houghton Mifflin Harcourt Publishing Co., No. 09-2669, 2013 U.S. Dist. LEXIS 118870 (S.D.N.Y. Aug. 21, 2013)

District court granted in part and denied in part defendants' motion for summary judgment, applying injury rule, not discovery rule, for purposes of evaluating whether infringement claim was time-barred. Plaintiffs brought infringement claim against defendants for use of certain of plaintiff's images. Defendants requested partial summary judgment on certain claims on basis that they were time-barred. Copyright Act states, "no civil action shall be maintained under this title unless it is commenced within three years after the claim accrued." Defendants argued that injury rule

applied to infringement cases, while plaintiff argued discovery rule applied. Court noted that prior to Supreme Court decision in *TRW v. Andrews*, 534 U.S. 19 (2001), Second Circuit applied discovery rule; however, since *TRW*, trend was to adopt injury rule. Court cited *Auscape International v. National Geographic Society*, 409 F. Supp. 2d 235 (S.D.N.Y. 2004), where Judge Kaplan found Court of Appeals had never explicitly addressed which rule governed infringement claims, and, after consideration, determined injury rule was appropriate. Plaintiff, on other hand, argued that trend to adopt injury rule was product of "too expansive" interpretation of *TRW*. Plaintiff relied on *Parks v. ABC, Inc.*, 341 Fed. App'x 737 (2d Cir. 2009), case involving copyright ownership and infringement claims, in which Second Circuit applied discovery rule. Court found plaintiff's "straightforward" characterization of *Parks* "generous at best," and stated that principal issue in *Parks* was ownership, not infringement. As such, court found that, at minimum, *Parks* left open question as to which rule Second Circuit should apply in infringement cases. Court reviewed parties' arguments and case law, and found Judge Kaplan's reasoning in *Auscape*, as well as analysis of other courts applying injury rule, to be most persuasive. Applying injury rule, court granted defendants' motion for summary judgment in part, finding certain claims to be time-barred.

Cael Technologies, Ltd. v. Precise Voting, LLC, No. 13-1470, 2014 U.S. Dist. LEXIS 17829 (E.D.N.Y. Feb. 12, 2014)

Plaintiff, software developer, sued defendants, manufacturers of electronic voting machines, alleging defendants infringed plaintiff's copyrighted software program by copying, decompiling and modifying program and registering program in defendants' own name. Defendants filed motion to dismiss under Rule 12(b)(6), alleging plaintiff's claim was time-barred. Absent Second Circuit authority on which standard to apply, court noted "injury rule" was prevailing approach applied by other district courts in circuit, and adopted injury rule in this case. Accordingly, to extent plaintiff's claims for infringement were based on acts occurring more than three years before complaint was filed, such claims were time-barred, and court granted defendant's motion to dismiss.

Scorpio Music S.A. v. Willis, No. 11-1557, 2013 U.S. Dist. LEXIS 180525 (S.D. Cal. Dec. 26, 2013)

District court denied plaintiffs-counterdefendants' partial motion for summary judgment. 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 translation of and/or alternative lyrics for 33 musical compositions. Defendant moved to dismiss. Court held defendant could unilater-

ally terminate his own grants, but granted plaintiffs leave to amend complaint to seek declaratory relief regarding percentage of copyright interest defendant was entitled to recover upon termination. Plaintiffs filed amended complaint seeking judicial determination that defendant was entitled to at most 33%, representing equal share if there were three authors. Defendant counterclaimed, alleging third writer did not contribute authorship to lyrics or music of twenty-four songs, and defendant thus was entitled to 50% interest in such works. Plaintiffs moved for partial summary judgment on defendant's counterclaim, arguing defendant's claim for 50% interest was time-barred by three-year statute of limitations, as well as doctrine of laches. Court denied plaintiffs' motion, finding triable issues of fact regarding when defendant knew he had claim of 50% ownership, and when such claim was expressly repudiated by controversial third author. Plaintiffs argued that defendant's claim accrued at time albums were released (1978–80) because defendant admitted that when each album came out he saw third author was credited. Defendant argued, however, that he did not know he had claim to 50% ownership of disputed works until much later, as defendant had assumed third author was being credited for contribution to musical arrangements, and not authorship of lyrics. Plaintiffs submitted evidence purportedly demonstrating that defendant had knowledge of third author's claim to authorship of lyrics when albums were released, including (1) letter alleged third author wrote to defendant's attorney in 1989; (2) defendant's deposition testimony regarding telephone conversation defendant had with undisputed author regarding controversial third author; and (3) e-mail correspondence allegedly written from defendant to alleged third author. As defendant offered reasonable theories to rebut evidence submitted by plaintiffs, court found triable issues of material fact as to whether more than three years prior to commencement of instant suit, third author plainly and expressly repudiated claim by defendant to 50% ownership of copyright interest in disputed works. Accordingly, court found plaintiffs not entitled to summary judgment based on statute of limitations. Court also denied plaintiffs' laches claim without prejudice for refilling after Supreme Court issued decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*

Castronuovo v. Sony Music Entertainment, Inc., No. 10-428, 2013 U.S. Dist. LEXIS 123785 (M.D. Tenn. Aug. 29, 2013)

Defendants moved for partial summary judgment on certain of plaintiff composer's claims of infringement of plaintiff's musical compositions, contending that "[t]he three-year statute of limitations applicable to copyright-infringement claims bars claims for all sales made more than three years prior to Plaintiff's filing [the] lawsuit." Court noted that, according to § 507(b), no civil action shall be maintained unless it is commenced

within three years after claim accrued, and cause of action accrues when plaintiff knows of infringement or is chargeable with such knowledge. Because each act of infringement is distinct harm, however, statute of limitations bars infringement claims that accrued more than three years before suit was filed, but does not preclude infringement claims that accrued within statutory period. Plaintiff composer first learned of alleged infringement by defendants, music producers, three years prior to filing of complaint. In considering motion, district court applied "discovery rule," holding that plaintiff should not be limited to recovering only those damages suffered in three years prior to filing suit, rather he could reach back beyond three-year period preceding lawsuit because he allegedly was unaware of infringing conduct at time and had discovered it only three years prior to filing suit.

Sieger Suarez Architectural Partnership, Inc. v. Arquitectonica International Corp., No. 13-21928, 2014 U.S. Dist. LEXIS 19140 (S.D. Fla. Feb. 14, 2014)

Plaintiff, architectural firm, sued defendant, competing architectural firm, alleging defendant's condominium design infringed plaintiffs' copyrighted architectural design. Court found plaintiff's complaint time-barred. Record established that plaintiff had notice of defendant's architectural plans as early as 2006. Court, applying discovery rule, found statute of limitations ran on plaintiff's complaint in 2009, nearly four years before plaintiff filed lawsuit. Accordingly, court granted defendant's motion to dismiss.

C. First Sale Doctrine

Technomarine SA v. Jacob Time, Inc., No. 12-790, 2013 U.S. Dist. LEXIS 100831 (S.D.N.Y. July 16, 2013)

District court granted defendant's motion for summary judgment dismissing plaintiff's copyright infringement claim. Work at issue was "TM" logo on watch. Court found that defendant purchased lawful copies of articles bearing copyrighted work. Plaintiff argued that defendant had not "traced back the chain of title to the watches to an authorized . . . source." Court held, however, that defendant did not bear burden of tracing chain of title where there was no evidence that watches were anything but genuine. Thus, court granted defendant summary judgment.

International Equipment Trading, Ltd. v. AB Sciex, LLC, No. 13-1129, 2013 U.S. Dist. LEXIS 123109 (N.D. Ill. Aug. 29, 2013)

International Equipment Trading Ltd. (IET) brought suit against AB Sciex, LLC (ABS) alleging claims for predatory and anticompetitive conduct including claims under state and federal antitrust, Illinois Consumer

Fraud Act, and Illinois Deceptive Trade Practices Act. In *Eastman Kodak Co. v. Image Technical Services, Inc.*, 504 U.S. 451 (1992), Supreme Court characterized predatory and deceptive conduct as "the use of monopoly power to foreclose competition, to gain a competitive advantage, or to destroy a competitor." IET argued that ABS engaged in predatory and anticompetitive conduct by falsely representing to customers that they would be required to pay $40,000 licensing fee if they purchased refurbished ABS mass spectrometer from IET, arguing that ABS's threat of $40,000 licensing fee was false statement because first sale doctrine prohibited imposing such fee. First sale doctrine permits purchaser of copy of work to transfer copy without permission of copyright owner; however, if copyrighted work is not sold, copyright holder does not lose his right to control distribution of that work. Thus, where copyright holder licensed, but did not sell its copyrighted software, first sale doctrine does not apply. Court found IET's concession in complaint that ABS licensed software used in its mass spectrometers to its customers rendered first sale doctrine inapplicable. First sale doctrine thus could not serve as basis for IET's allegation that ABS's statements to customers regarding $40,000 license fee were false, predatory or anticompetitive, court held.

D. Res Judicata/Collateral Estoppel

Muench Photography, Inc. v. John Wiley & Sons, Inc., No. 12-7502, 2013 U.S. Dist. LEXIS 110612 (S.D.N.Y. Aug. 3, 2013)

Plaintiff brought suit against publisher of educational textbooks for alleged infringement of copyrights in photographs on ground that defendant had exceeded usage rights in license agreements. Defendant moved to dismiss infringement claims on basis that plaintiff could not meet jurisdictional prerequisite due to doctrine of collateral estoppel, since plaintiff's claims relied upon copyright registrations that court in related cases had previously found were insufficient to bring suit. Court granted defendant's motion, because court had previously found that copyright registrations at issue were invalid as to individual photographs because plaintiff was not listed as author, in violation of § 409(2). Because prior decisions related to same registrations at issue in instant case, court held that plaintiff was collaterally estopped from bringing its infringement claims.

Perry v. Fantasy Records, No 13-1158, 2014 U.S. Dist. LEXIS 19265 (N.D. Cal. Feb. 13, 2014)

Pro se plaintiff brought copyright infringement action to recover royalties allegedly owed from relationship with 1970s music group "The Blackbyrds." In 1973, Perry entered into "Exclusive Artists Recording Agreement" and "Exclusive Songwriter's and Composer's Agreement."

Under terms of agreements, Perry assigned all right, title and interest, including copyrights, in any musical composition composed by him to Black Byrd Productions, Inc. ("BBP"), The Blackbyrds' production company. In October 1973, BBP entered into exclusive production agreement with Fantasy. In December 1974, Perry informed BBP that he was terminating his contract, and that he was rightful copyright owner of "A Hot Day Today" and "Walking in Rhythm" ("Compositions"). Perry was notified by Fantasy that he would not receive royalties for Compositions until copyright ownership was resolved. In February 1977, in Eastern District of Virginia, court issued order finding that BBP was copyright owner of Compositions and that Perry remained entitled to royalties under agreements. Perry and BBP entered into settlement agreement compensating Perry $18,400 as final compensation under agreements. In October 1994, Perry attempted to re-litigate Virginia court's ruling of ownership of Compositions in Southern District of New York, but action was dismissed as precluded by Virginia action. In October 1995, Perry brought action against Fantasy in current district, and summary judgment was granted to Fantasy on grounds of *res judicata*. In October 2003, Perry again brought action against Fantasy in current district with similar claims to those in October 1995 suit, and was dismissed under *res judicata*. Here, court found that Perry sought same relief as sought in October 1995 and October 2003, namely, royalties and damages arising from copyright infringement of Compositions. Fantasy's motion to dismiss on grounds of *res judicata* was granted.

Muench Photography, Inc. v. Pearson Education, Inc., No. 13-3937, 2013 U.S. Dist. LEXIS 167726 (N.D. Cal. Nov. 25, 2013)

Plaintiff alleged contributory copyright infringement against defendant, publisher of educational textbooks, for distributing its photographs without permission to third parties, including defendant's subsidiaries and affiliated entities, which published photographs in violation of licensed limits or without licenses at all. In prior action, *Muench I*, in which plaintiff alleged direct infringement of same photographs by defendant, court granted defendant's motion for summary judgment. In instant action, defendant filed motion to dismiss based on claim preclusion and failure to state claim. Court found claim preclusion not applicable here because despite same distribution of photographs being at issue in both cases, "the two actions are ultimately premised upon different theories and different facts," direct infringement and contributory infringement.

E. Miscellaneous

Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962 (2014)

Supreme Court held that common law doctrine of laches cannot bar copyright infringement claim that was brought within statute of limitations, regardless of when infringement commenced. After Jake LaMotta retired from boxing, he collaborated with friend Frank Petrella to write two screenplays and book about LaMotta's life. Screenplay written in 1963 allegedly was basis for movie *Raging Bull*, released by MGM in 1980. Frank Petrella died in 1981, and daughter Paula filed renewal copyright application in 1991. Seven years later Paula hired lawyer who contacted MGM, asserting that Paula owned copyright in 1963 screenplay, and that exploitation of movie, allegedly derivative work of screenplay, was infringement. Over next two years Paula and MGM exchanged series of letters, with Paula accusing MGM of copyright infringement and "repeatedly threatening to take legal action." Last such letter was sent in 2000. In 2009, Paula filed infringement suit in Central District of California. District court found, and Ninth Circuit affirmed, that claim was barred by laches, "equitable defense that bars claims of a plaintiff who with full knowledge of the facts, acquiesces in a transaction and sleeps upon his rights." Ninth Circuit found elements of laches were met: (1) delay: here delay was measured from 1991, when Paula first knew she had potential claim, which she didn't file until 18 years later; (2) delay unreasonable: evidence suggested true cause of delay was that "film hadn't made money" during this time period; delay for purpose of capitalizing on value of alleged infringer's labor, by determining whether infringing conduct will be profitable, is not reasonable; and (3) prejudice: defendants established expectations-based prejudice, since they made significant investments in promoting film. Court noted significant circuit split on laches, with Ninth Circuit rule most draconian, holding that laches bars both legal and equitable relief, and applying presumption of laches when any part of alleged wrongful conduct occurred outside of limitations period. Supreme Court held (1) laches cannot be invoked as bar to plaintiff's pursuit of claim for damages brought within Copyright Act's three-year window; (2) in extraordinary circumstances, laches may, at very outset of litigation, curtail awarding of equitable relief; and (3) no such extraordinary circumstance was present here, because plaintiff notified MGM of her copyright claims before MGM invested millions of dollars in creating new edition of *Raging Bull*, and equitable relief she sought, disgorgement of unjust gains and injunction against future infringement, would not result in anything like "total destruction" of movie. Allowing suit go forward puts at risk only fraction of income MGM earned during more than three decades *Raging Bull* has been marketed, and would work no unjust hardship on innocent

third parties. If Paula should ultimately prevail on merits, district court may take into account her delay in commencing suit in determining appropriate injunctive relief and assessing MGM's profits.

Unclaimed Property Recovery Services, Inc. v. Kaplan, 734 F.3d 142 (2d Cir. 2013)

Appeals court affirmed district court's dismissal of infringement suit based upon defendant's allegedly unauthorized use of original class action complaint that had been authored by plaintiff. Plaintiffs argued that new counsel's filing of amended complaint that largely incorporated original complaint violated copyrights in original complaint. In affirming lower court's holding, court held that holder of copyright in litigation document who authorizes party to use copyrighted document in legal proceeding "necessarily conveys, not only to the authorized party but to all present and future attorneys and to the court, an irrevocable authorization to use the document in the litigation thereafter." Absent such ruling, courts would be unable to fairly and thoroughly adjudicate cases if party suddenly lost right to give court copies of documents already used in litigation. Court held that such holding was particularly crucial with respect to complaints, which are "the foundation of a legal action" and amendments thereto incorporating portions of original complaint are "a regular component of the litigation process." Thus, because copyright plaintiffs authorized class action plaintiffs to file original complaint, they could not prohibit those class action plaintiffs from continuing to use complaint in context of that litigation.

Nafal v. Jay Z, No. 12-55615, 2013 U.S. App. LEXIS 25429 (9th Cir. 2013)

Ninth Circuit affirmed lower court's dismissal of *pro se* plaintiff-composer's copyright infringement claims. Copyright Act of 1909 governed plaintiff's claim because musical composition for which plaintiff claimed to own exclusive license was created in or around 1957, before effective date of Copyright Act of 1976. Thus, district court properly dismissed action because plaintiff failed to join copyright owners, as required under 1909 Act.

Erickson Productions, Inc. v. Kast, No. 13-5472, 2014 U.S. Dist. LEXIS 56711 (N.D. Cal. Apr. 23, 2014)

District court struck defendant's affirmative defenses of (1) setoff and single satisfaction rule; (2) lack of volitional act; and (3) innocent infringement. Plaintiffs, professional photographer and his company, alleged defendant infringed copyrighted photographs contained on client Wells Fargo's website by posting same photos on website for defendant's com-

pany, Atherton Trust. Defendant hired Only Websites, Inc. to develop website and showed Wells Fargo site to Only Websites as example. Plaintiffs' photos were posted during development stage of Atherton Trust site. Defendant contended incomplete, development version of site was not supposed to be publicly available; final version of Atherton Trust website did not contain Erickson's photos. Plaintiffs moved to strike defendant's affirmative defenses. Court struck affirmative defense of set off and single satisfaction rule. Initially, plaintiffs sued Only Websites, Atherton Trust, and defendant in Southern District of New York, where Only Websites and Atherton Trust defaulted; defendant asserted that judgment would likely be entered in S.D.N.Y. Court struck defense because judgment had yet to be entered in S.D.N.Y. Court struck affirmative defense of lack of volitional act because it was "merely a negation of elements to be proven by plaintiffs." Finally, defendant asserted innocent infringement because photos did not bear copyright notice, and he had no way of knowing use of photos would infringe. Court struck defense as to liability, but would allow defense to stand as to remedies.

Broadcast Music, Inc. v. Midtown Beverage, LLC, No. 12-1617, 2013 U.S. Dist. LEXIS 96754 (S.D. Tex. July 11, 2013)

Court granted plaintiff's motion for summary judgment of willful infringement. BMI sued defendants, owners of restaurant/bar, based on defendants' unauthorized public performances of works owned by BMI through operation of karaoke. BMI repeatedly informed defendants of need to obtain permission to publicly perform works at issue, and offered to enter into blanket licensing agreement, but defendant ignored all communications. All elements of infringement claim were met; issue was whether defendants were "innocent infringers." In support of innocent infringer defense, defendants offered single affidavit, wherein attestant stated that she "believed that the karaoke provider was licensed." Court found defendants were not innocent infringers because affidavit used to oppose motion for summary judgment must be made upon personal knowledge. Statements made on "belief" are inappropriate because belief is not personal knowledge and does not raise genuine issue of material fact. Defendants, moreover, had been given ample notice of infringing acts, including 41 phone calls and several letters.

Satija v. Permanent General Assurance Corp., No. 13-82, 2014 U.S. Dist. LEXIS 20416 (N.D. Ohio Feb. 19, 2014)

Court denied defendants' motion for summary judgment based on affirmative defense of laches. Plaintiff claimed that as independent contractor for defendant he created "The General" cartoon character for limited purpose of promoting defendants' 1998 picnic event, and that defendants sub-

sequently used The General without permission in advertisements continually from 1998 to 2013. For laches defense in Sixth Circuit, court determines first whether plaintiff has unreasonably delayed, then whether defendants have been unduly prejudiced; defense applies in copyright cases only in "unusual circumstances." Because plaintiff filed suit more than three years from notice of infringement, plaintiff must rebut presumption that delay was unreasonable and prejudiced defendant. Plaintiff claimed to have delayed bringing lawsuit for four years because he was unaware of extent of defendants' use of The General and because colleague told him not to pursue. Court found evidence created triable issue as to whether plaintiff's delay was unreasonable.

Masck v. Sports Illustrated, No. 13-10226, 2014 U.S. Dist. LEXIS 30254 (E.D. Mich. Mar. 10, 2014)

Photographer brought suit for infringement of iconic photo of Desmond Howard making "Heisman pose" after scoring touchdown at Michigan Stadium. After plaintiff sent negative of photo to Sports Illustrated for December 1991 issue, Getty subsequently acquired negative, uploaded photo to website in 2005, and began licensing photo to customers. Over several years thereafter, plaintiff discovered numerous unauthorized uses of photo, including Amazon and Walmart offering photo for sale. First, court denied defendants' motion for summary judgment that plaintiff's claim was barred by laches, due to outstanding questions of fact, including allegations by plaintiff that he delayed in registering copyright on advice of counsel, and that majority of copyright violations did not occur until 2010 and later. Court also denied Walmart's motion for summary judgment seeking to dismiss vicarious liability claim against it due to questions of fact, including plaintiff's allegation that Walmart (unlike Amazon) operates physical stores and has ability to supervise and control what is sold there. Finally, court denied defendants' motion seeking to dismiss plaintiff's claim for monetary damages because there were disputes regarding dates of infringement and because motion for summary judgment was inappropriate to decide sufficiency of profits evidence produced by plaintiff.

Oracle USA, Inc. v. Rimini Street, Inc., No. 10-106, 2014 U.S. Dist. LEXIS 18986 (D. Nev. Feb. 13, 2014)

Plaintiff, software developer, sued defendant, software service provider, for copyright infringement, alleging defendant copied plaintiff's copyrighted software programs during course of providing software support services to third parties who licensed software directly from plaintiff. Plaintiff moved for partial summary judgment on infringement claim and certain of defendant's affirmative defenses. Notably, defendant conceded copying of plaintiff's software for purpose of providing support services to

plaintiff's licensees, but argued such copies were authorized (1) by express language of plaintiff's software licensing agreements, and (2) implicitly because plaintiff had on prior occasions shipped back-up copies of software, on behalf of plaintiff's licensees, directly to defendant. Based on undisputed facts, court held defendant infringed plaintiff's copyrighted software. Turning to defendant's affirmative defenses of express license, implied license, and consent, court noted that defendant did not itself license from plaintiff rights to use or copy plaintiff's software. Accordingly, court looked to terms of four separate software license agreements between plaintiff and defendant's clients for terms permitting defendant to copy plaintiff's software. After detailed review of agreements, court found defendant's conduct not authorized under express terms of two license agreements, but found questions of fact remained under remaining two agreements. Accordingly, court granted summary judgment to plaintiff on two of defendant's affirmative defenses and denied summary judgment on remaining counts.

VII. REMEDIES

A. Damages and Profits

Sony BMG Music Entertainment v. Tenenbaum, 719 F.3d 67 (1st Cir. 2013)

First Circuit affirmed district court's large damages award in infringement suit, holding that award was proper and not violative of due process. Underlying case involved plaintiffs' suit against defendant user, who illegally downloaded and distributed copyrighted music for years. District court awarded damages of $675,000, representing $22,500 for each of 30 songs whose copyright was violated. User appealed, claiming that award violated his constitutional right to due process of law. In affirming lower court's award, First Circuit noted that § 504(c) provides for damages between $750 and $150,000 for each willful violation. Court then cited *St. Louis, I.M. & S. Ry. Co. v. Williams*, 251 U.S. 63 (1919), for proposition that correct standard for evaluating constitutionality of award of statutory damages (rather than punitive damages) under Copyright Act requires determining whether penalty was "so severe and oppressive as to be wholly disproportionate to offense and obviously unreasonable." In concluding that damages did not violate due process, court noted that trial evidence showed that user's activities led to same type of harm Congress foresaw when it increased minimum and maximum statutory awards under Copyright Act, *i.e.*, loss of value of copyrights, reduced income and profits, and job losses. Court found that defendant's conduct was egregious: he carried on his activities for years in spite of numerous warnings, made

thousands of songs available illegally, and denied responsibility during discovery. Court concluded that statutory penalty was properly imposed and that there was no due process violation.

Rosen v. Netfronts, Inc., No. 12-658, 2013 U.S. Dist. LEXIS 96532 (C.D. Cal. July 9, 2013)

Plaintiff brought suit for infringement based on defendants' unauthorized display and sale of photographs of actress Gena Lee Nolan through defendant's website and mail-order catalogs. After bench trial, court ruled that defendant was liable for infringement for posting protected photographs on its website along with offers to sell. Doctrine of continuing infringement, under which first act of infringement in series of ongoing infringements of same kind marks commencement of one continuing infringement under § 412, did not apply, due to defendant's cessation of infringing activity during intervening period. Court thus held that statutory damages were available to plaintiff for defendant's online infringement. However, court awarded statutory damages of only $800, on finding that defendant's infringement was "innocent." Specifically, court found that defendant did not personally handle technical duties regarding website, but instead retained web designers for that purpose, and it was actions of one of these web designers whose "global replace" technique caused photographs at issue to once again be displayed on defendant's website without defendant's knowledge. Further, defendant never directed its web designers to post plaintiff's photographs, and immediately instructed them to remove such photographs upon learning of plaintiff's claims. Accordingly, court held that defendant's infringement was result of reasonable mistake, and that defendant's good-faith belief that he was not engaging in further infringing activity was reasonable under circumstances.

Beasley v. Commonwealth Edison Co., No. 11-4973, 2013 U.S. Dist. LEXIS 122766 (N.D. Ill. Aug. 28, 2013)

District court found plaintiffs entitled only to actual damages, and not statutory damages, if successful on infringement claim. Plaintiff Zachary Beasley, employee of defendant Commonwealth Edison Company ("ComEd"), his wife, and Ideas N Mind, Inc., corporation they formed for purposes of producing creative works for advertising purposes, sued ComEd for use of plaintiffs' handshake image on ComEd's Safety Rule Books. ComEd was utility and energy delivery company. Beasley was crew leader at company, who was also artist on side. ComEd used Beasley's work on occasion, and asked Beasley to create image for use on Safety Rule Book. Beasley created image of handshake, and claimed that he advised ComEd use of image was to be limited to 1997 Safety Rule Book. ComEd then used image on 2003 and 2009 Safety Rule Books,

which plaintiffs claimed was without their permission or knowledge. Parties disputed, among other things, whether handshake image was registered. Beasley filed copyright application for number of images, which matured to registration in 1995. Beasley claimed handshake image was among registered images, even though it was not part of Copyright Office file. Beasley claimed that eighteen images were missing from registration. In January 2009, Beasley transferred copyright registration to Ideas N Mind. That same month, he filed new application for handshake image. Plaintiffs sued for copyright infringement regarding use of handshake, and ComEd alleged that plaintiffs were not entitled to statutory damages because handshake image was registered in April 2009, months after ComEd's alleged infringement occurred. As plaintiffs claimed that they were only seeking statutory damages, ComEd argued that plaintiffs were not entitled to any damages. Plaintiffs argued, however, that handshake image was included in 1995 registration, and that it was Copyright Office's mistake not including image in record. Court found that handshake image was registered in April 2009. Court noted that if Copyright Office misplaced materials as plaintiffs contended, then plaintiffs should have sought amended registration. Court stated that it had no power to make exception to statutory scheme, and thus plaintiffs were only entitled to their actual damages.

Broadcast Music, Inc. v. C.B.G., Inc., No. 11-40142, 2013 U.S. Dist. LEXIS 163010 (D. Mass. Nov. 15, 2013)

District court awarded plaintiffs statutory damages of $1,500 per work infringed, for total award of $21,000. Defendants owned and operated Beemer's Pub ("Pub") in Massachusetts, where music was performed. BMI contacted defendants on numerous occasions over 14 months regarding entering blanket license agreement for public performance of BMI-licensed songs at Pub. Defendants did not do so. On two occasions, BMI sent investigators to record songs performed at Pub, where total of 14 BMI-licensed songs were played. Plaintiffs requested statutory damages of $2,500 per work infringed, due to willful infringement. Court considered (1) expenses saved and profits reaped by defendant; (2) revenues lost by plaintiffs; (3) deterrent value of award; and (4) whether infringement was willful or innocent as factors in determining amount of statutory damages. Court found infringement to be willful based on BMI's repeated warnings to defendants. However, plaintiffs did not offer evidence regarding expenses saved by defendants or revenue lost by plaintiffs, and therefore awarded $1,500 per work infringed.

Am. Registry of Radiologic Technologists v. Bennett, No. 12-109, 2013 U.S. Dist. LEXIS 120548 (W.D. Tex. Aug. 26, 2013)

District court entered judgment against defendant for copyright infringement. Plaintiff was developer and administrator of certification exams for radiologists. Plaintiff offered exams multiple times each year, and drew its questions for each exam from "Test Item Bank," large pool of questions it maintained. Plaintiff owned copyright registration for Test Item Bank. Plaintiff reused questions on exams in successive years, as well as across multiple examinations in same year. Defendant was certified radiologist and developer of exam preparation course for plaintiff's exams. Defendant, who knew that plaintiff reused exam questions, solicited former test takers to send her questions from prior exams, which she would relay to students in her exam preparation course. Plaintiff learned of defendant's actions, and as result, was forced to retire 87 questions from Test Item Bank. Plaintiff filed suit against defendant for copyright infringement. Court found in favor of plaintiff, and plaintiff sought statutory damages. Statutory damages are calculated according to number of works infringed. Under § 504(c) all parts of compilation are considered one work, and court found plaintiff to be entitled to one award of statutory damages. Plaintiff contended, however, that defendant's actions were willful. Court agreed with plaintiff, finding defendant knew or should have known plaintiff's questions were copyrighted because (1) defendant was provider of exam preparation course; (2) defendant had contract with plaintiff as certified radiologist that prohibited copying questions; (3) defendant should have had basic common sense that cheating is wrong; (4) defendant had knowledge of law in general as it used applicable laws to obtain access to public records from state agencies in order to solicit potential customers; and (5) defendant had knowledge of copyright law specifically as it requested permission from plaintiff for use of other copyrighted works that were less sensitive than exam questions. Court stated that this should have triggered defendant to believe questions were copyrighted as well. Court noted its broad discretion to award up to $150,000 in damages, and concluded plaintiff was entitled to $87,000. Court found award to be just because defendant's conduct (1) threatened interests of groups such as state licensing boards, which rely on integrity of plaintiff's tests for licensing purposes; (2) threatened plaintiff's intellectual property and its reputation; and (3) caused plaintiff to retire 87 questions, which cost around $1000 each to develop. Court also noted that judgment served as deterrent, as defendant testified that it planned to continue teaching once lawsuit was resolved.

Masterfile Corp. v. Gale, No. 9-966, 2013 U.S. Dist. LEXIS 99104 (D. Utah July 15, 2013)

After finding defendants liable for copyright infringement, court awarded plaintiffs only minimum statutory damages. Case concerned defendants' purchase of ready-made website presentation that contained plaintiff's images. Plaintiff discovered its twenty-seven images displayed on defendants' website as part of presentation, and contacted defendants in attempt to resolve matter; however, parties did not reach resolution, and litigation followed. Court granted partial summary judgment in favor of plaintiff, finding that plaintiff owned copyrights to twenty-seven images found in presentation on defendants' website, and that defendants were liable for infringement. On motion for damages, plaintiff conceded that defendants were innocent infringers who reasonably believed that presentation that they had purchased was fit for its intended use and purpose, and did not contain images that were subject to copyright. Court noted that, pursuant to § 504(c), statutory damages can be assessed for each work infringed within broad range of $200 to $30,000; $200 figure is for cases in which court determines that "infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright." Court found low end of statutory damages scale appropriate here, and awarded $200 for each of twenty-seven violations, totaling $5,400.00. Court also denied plaintiff's application for attorneys' fees, noting that defendants were innocent infringers who immediately removed infringement content from website when notified of infringement.

Zuffa, LLC v. Kamranian, No. 11-036, 2014 U.S. Dist. LEXIS 12837 (D.N.D. Feb. 3, 2014)

Plaintiff brought action for copyright infringement against defendant sports bar owner, alleging unauthorized showing of "Ultimate Fighting Championship" event. On behalf of plaintiff, investigator contacted defendant's bar "Reza's Pitch" prior to Championship event, and was advised that Championship event would be shown after completion of basketball game. With investigator in attendance, defendant showed Championship event after basketball game, at which point Championship event had already begun. Investigator counted number of patrons and televisions at Reza's Pitch, estimated seating capacity, and documented unauthorized use of Championship event. Plaintiff elected statutory damages. Court found that defendant was not willful infringer, but was at least negligent, and therefore not eligible for reduction of statutory damages below $750. Court concluded that defendant was liable for statutory damages in amount approximately equal to Championship event license fee of $1,200, and partial award of attorneys' fees in amount of $3,000. Factors that led to court's conclusion included (1) defendant showed only part of

Championship event and did not promote it; (2) plaintiff likely suffered no direct economic loss, and defendant no direct economic benefit; (3) lack of willfulness; (4) defendant's representation that he had not shown UFC events since, and would not in future without court determination of lawfulness; (5) small size of Reza's Pitch; (6) plaintiff did not prevail on non-copyright claims; (7) this was first claim of copyright infringement brought against defendant; and (8) total award was sufficient deterrent to defendant and others in community.

B. Attorneys' Fees

Seltzer v. Green Day, Inc., 725 F.3d 1170 (9th Cir. 2013)

Ninth Circuit vacated award of attorneys' fees to successful defendants. Plaintiff artist created "Scream Icon," drawing of screaming, contorted face, in 2003. Since then Scream Icon posters had been "plastered on walls" as "street art" in Los Angeles and elsewhere. Defendant Staub, photographer and set-lighting and video designer, photographed brick wall in Los Angeles covered in graffiti and posters, including weathered, torn copy of Scream Icon, and saved picture in his personal library. Staub later was engaged to create video backdrops for Green Day's 2009–10 tour, including backdrop for song "East Jesus Nowhere," in which Staub used photograph he had taken of Scream Icon, modified by adding large red "spray-painted" cross over middle of screaming face, changing contrast and color, and adding black streaks running down right side of face. In 2009 Seltzer learned that Green Day was using Scream Icon, registered copyright, and sent Green Day cease-and-desist letter. Green Day subsequently stopped using video backdrop. Seltzer filed action in 2010. District court granted Green Day's motion for summary judgment that video backdrop was fair use, and granted Green Day's motion for attorneys' fees under § 505, finding Seltzer's claims had been objectively unreasonable, and awarding defendants total of $201,012.50. Ninth Circuit reviewed award of attorneys' fees for abuse of discretion. In case where defendant makes winning fair use defense, question presented is whether successful defense of action furthered purposes of Copyright Act. Courts deciding whether to award fees can look to five non-exclusive *Fogerty* factors: (1) degree of success obtained; (2) frivolousness; (3) motivation; (4) objective unreasonableness of losing party's factual and legal arguments; and (5) need, in particular circumstances, to advance considerations of compensation and deterrence. In finding that Seltzer's claim was objectively unreasonable, district court relied on facts (1) that Seltzer lost at summary judgment, (2) that three of four fair use factors were in Green Day's favor, and (3) that Seltzer's deposition testimony that new work "tainted the original message" and "devalue[d] the original intent" of Scream Icon "effectively conceded that use was transformative." Mere fact that Seltzer

lost cannot establish his objective unreasonableness, however. Ninth Circuit found, moreover, that Green Day only won on two fair use factors, rather than three, as district court concluded. Finally, Seltzer's statement at his deposition only expressed his opinion, and could not "concede" transformativeness of Green Day's use. "Facts" relied on by district court thus did not support notion that Seltzer's case was objectively unreasonable when he brought it. While Ninth Circuit concluded that Seltzer's work was transformed by Green Day's use, transformation was far from obvious, given Green Day's only "slight alterations" to original. Furthermore, of remaining three factors, one was in Seltzer's favor, one was in Green Day's favor, and one was neutral. There was simply no reason to believe that Seltzer "should have known from the outset that [his] chances of success in this case were slim to none." District court clearly erred in finding that Seltzer acted objectively unreasonably; court, accordingly, vacated award of attorneys' fees.

American Board of Internal Medicine v. Von Muller, Nos. 12-3135 & 12-3781, 2013 U.S. App. LEXIS 18941 (3d Cir. Sept. 12, 2013)

Third Circuit vacated district court's award of attorneys' fees, and remanded for redetermination. Jury awarded plaintiff, American Board of Internal Medicine, $82,466 in damages for its copyright infringement claim against defendant, finding that defendant, physician who took plaintiff's exam for board certification in internal medicine, had reproduced fifty test questions that appeared on exam for test prep company. Plaintiff's attorneys filed post-verdict fee petition seeking $371,049 in attorneys' fees. District court found number of hours unreasonable, "pointing to several examples of what it deemed to be excessive and unclearly documented billing entries." Third Circuit noted that district court did not specify total number of hours found to be excessive or redundant. Instead, district court weighed factors of complexity, litigation costs, financial circumstances, damages and motive, and found factors weighed in favor of adjusting fee amount downward. District court found gross disparity between attorneys' fees and total damages awarded to plaintiff, and therefore, reduced attorneys' fees award to $41,223, one-half of judgment awarded to plaintiff. Third Circuit, reviewing *de novo*, found that district court should have excluded time it found unreasonable to "arrive at an adjusted lodestar figure as a baseline," and then made adjustments by applying factors such as complexity, litigation costs, financial circumstances, damages, and motive, rather than determining fee amount "solely by reference to the damages awarded by the jury." Third Circuit noted that designated damages are "more properly considered as an indication of a litigant's degree of success," and that "counsel fees should be awarded to

the extent that the litigant was successful." Third Circuit also noted that when determining excessive or redundant hours, district court could choose percentage or "blanket reduction" rather than hour-by-hour analysis, due to hundreds of pages of billing entries.

Pearson Education, Inc. v. Liu, No. 08-6152, 2013 U.S. Dist. LEXIS 182648 (S.D.N.Y. Dec. 27, 2013)

District court denied defendant's motion for attorneys' fees. Case was suspended pending Supreme Court's disposition in *Kirtsaeng*, and then decided in defendant's favor. Nonexclusive factors considered in awarding attorneys' fees include "frivolousness, objective reasonableness . . . and the need in particular circumstances to advance considerations of compensation and deterrence." Objective reasonableness was of particular importance. Court determined that plaintiff's position was not unreasonable, despite resting on flawed precedent and ultimately being untenable, because legal issue involved was unsettled. Court also found lawsuit not frivolous because it had legitimate basis in law and facts. No evidence of improper motive was found. Court determined that there would still be incentive to sue in cases such as this even without award of fees, because as result of suit plaintiff now has benefit of being able to sell foreign versions of textbook in U.S.

Overseas Direct Import Co. v. Family Dollar Stores, Inc., No. 10-4919, 2013 U.S. Dist. LEXIS 161481 (S.D.N.Y. Nov. 12, 2013)

Plaintiff Overseas Direct Import Co., Ltd. (ODI) sued defendants Family Dollar Stores, Inc. (FDS) and Prestige Global Co., Ltd. (PG), asserting trademark and copyright infringement claims in packaging for men's thermal underwear. ODI settled with PG. FDS made offer of judgment of $150,000 pursuant to Rule 68, but ODI rejected offer. Jury trial returned verdict in favor of FDS, with no recovery for plaintiff. FDS sought costs and attorneys' fees in accordance with § 505 and Rule 68. FDS argued it was entitled to recover costs, including fees, under Rule 68 because ODI's recovery of zero damages was not more favorable than rejected Rule 68 offer. Court found argument to be foreclosed by Supreme Court's decision in *Delta Airlines, Inc. v. August*, 450 U.S. 346 (1981), in which costs provision of Rule 68 was found "simply inapplicable" when judgment was obtained in favor of defendant. In determining whether to award costs and fees pursuant to § 505, court looked to *Fogerty* factors of "frivolousness, motivation, [and] objective unreasonableness." FDS argued that ODI's damages demands and unwillingness to settle rose to level of objective unreasonableness. Court found that ODI merely thought that its claim was worth more than rejected offer, and that there was no indication of bad faith in ODI's pursuit of its copyright claim. Court denied FDS's

motion for attorneys' fees. ODI motioned for court to award costs for responding to FDS's motions, arguing that FDS failed to recognize that *Delta Airlines, Inc. v. August* rendered Rule 68 claim meritless. Court denied ODI's motion, explaining that FDS had simply made good faith error of law.

RPM Displays, Inc. v. Oz Mannequins International, No. 12-686, 2013 U.S. Dist. LEXIS 125845 (N.D.N.Y Sept. 4, 2013)

In dispute between two mannequin design and production companies, plaintiff sought declaratory judgment that defendants' copyrights in certain mannequins were invalid and that mannequins were not copyrightable, and that it had not infringed defendants' mannequin copyrights. Defendants counterclaimed, alleging copyright infringement and unjust enrichment. Both parties sought attorneys' fees and costs. Plaintiff principally argued that human mannequins are noncopyrightable "useful articles," because they serve sole purpose of displaying clothing, and that any design elements in mannequins reflect merger of aesthetic and functional considerations and are therefore not conceptually separable from utilitarian elements; and that merger doctrine precluded copyright protection. Defendants countered that mannequins are protected as "sculptures," and even if useful articles, they possess conceptually separable artistic features, which are entitled to copyright protection. In denying plaintiff's motion for partial summary judgment, district court reasoned that determination on whether mannequins are useful articles or whether merger doctrine precluded protection was premature at summary judgment stage, and that more evidence was needed to determine how much artistic judgment went into creation of mannequins, extent to which mannequins serve purpose beyond displaying clothing, and whether copyright protection was available under merger doctrine. Court also determined that claims for attorneys' fees and statutory damages were premature because question of whether mannequins are protectable must be determined before addressing question of damages.

Minden Pictures, Inc. v. John Wiley & Sons, Inc., No. 12-4601, 2014 U.S. Dist. LEXIS 60901 (N.D. Cal. Apr. 29, 2014)

Plaintiff, non-exclusive licensing agent of photographers, sued defendant publisher alleging copyright infringement. Court earlier granted defendant's motion for summary judgment, finding plaintiff lacked standing. Defendant then filed instant motion for attorneys' fees and costs, claiming plaintiff's claims were objectively unreasonable and pursued in bad faith. Court disagreed, and found that although defendant prevailed on summary judgment, defendant ultimately did not prevail on merits of claim, because summary judgment was based on lack of standing. Therefore, de-

fendant was still subject to suit by individual photographers, who might have standing. In addition, court found plaintiff's reliance on copyright assignments and agency agreements as basis for standing was not objectively unreasonable because, in other cases, copyright assignments had been held to establish standing. Court also noted that plaintiff's long-standing and pre-existing business relationship with individual photographers supported reasonableness of plaintiff's belief in basis for standing. Lastly, court found that awarding attorneys' fees in this case would not further purposes of Copyright Act. Accordingly, court denied defendant's motion for award of attorneys' fees and costs.

ZilYen, Inc. v. Rubber Manufacturers Association, 958 F. Supp. 2d 215 (D.D.C. 2013)

After court granted defendant's motion to dismiss on copyright infringement claim, court denied defendant's motion for attorneys' fees. Defendant claimed presumptive entitlement to attorneys' fees as prevailing defendant in case. Plaintiff CD software manufacturer delivered CDs to defendant, but when defendant ran CD software on its computers, defendant discovered error on CDs, and refused to pay plaintiff remaining balance due under contract. Plaintiff brought suit, and court subsequently granted defendant's motion to dismiss plaintiff's infringement claim. Defendant moved for attorneys' fees, arguing that traditional factors of "frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence" favored award. Defendant also argued that it was entitled to award under "refinement of the *Fogerty* standard" adopted by Seventh Circuit, which accords presumptive entitlement to attorneys' fees to "the prevailing party in a copyright case in which the monetary stakes are small," presumption that is considered "very strong," when defendant is prevailing party. Court declined to adopt presumption, favoring instead "even handed" approach under which prevailing plaintiffs and defendants are treated alike. In considering other discretionary factors, court found award of attorneys' fees was not warranted, and denied defendant's motion.

Charles W. Ross Builder, Inc. v. Olsen Fine Home Building., No. 10-129, 2014 U.S. Dist. LEXIS 36268 (E.D. Va. Mar. 19, 2014)

District court awarded attorneys' fees to defendant in connection with DMCA claim, and denied attorneys' fees in connection with copyright infringement claim. Plaintiff alleged that defendant Boathouse Creek Graphics, Inc. obtained access to plaintiff's copyrighted home designs through filings with county compliance offices, or from married couple who were provided non-technical copies of designs. District court granted

Boathouse's motion for summary judgment on copyright infringement claim, finding Boathouse design was not substantially similar to plaintiff's copyrighted plans under "more discerning observer" standard. Court also granted defendants summary judgment on DMCA claim, finding plaintiff offered no evidence to support allegation in amended complaint. Court awarded attorneys' fees to Boathouse for DMCA claim, but not copyright claim. On appeal, Fourth Circuit vacated summary judgment "on the grounds that a different legal test should have been applied to determine substantial similarity," and vacated attorneys' fees award due to vacating of underlying judgment. District court granted Boathouse's renewed motion for summary judgment, but additionally found plaintiff failed to raise genuine issue of material fact concerning access. Under new findings and applying four factors — "(i) motivation of the parties; (ii) the objective reasonableness of the legal and factual positions advanced; (iii) the need in particular circumstances to advance considerations of compensation and deterrence; and (iv) any other relevant factor present" — court again denied Boathouse's motion for fees for copyright infringement claim, but awarded fees for DMCA claim. As to copyright infringement claim, district court found (1) plaintiff did not act in bad faith, even though contacting Boathouse prior to filing complaint might have been more appropriate response; (2) plaintiff's claim was not objectively unreasonable, despite copyright being "thin" due to design being comprised mostly of unprotected architectural elements, and although no reasonable basis existed for claim that Boathouse had direct access to plans, plaintiff's reliance on inference of intermediary access was not objectively unreasonable; (3) since claims were not frivolous, awarding attorneys' fees would have no deterrent effect; and (4) while argument that plaintiff was unable to pay fees was unpersuasive, instant suit could deter others from building homes in particular style, to plaintiff's benefit, which made this only factor favoring Boathouse. However, DMCA claim was frivolous, with no legal or factual basis. Court thus awarded $13,760 in attorneys' fees.

Am. Registry of Radiologic Technologists v. Bennett, No. 12-109, 2013 U.S. Dist. LEXIS 120548 (W.D. Tex. Aug. 26, 2013)

Plaintiff was developer and administrator of certification exams for radiologists. Plaintiff offered exams multiple times each year, and drew its questions for each exam from "Test Item Bank," large pool of questions it maintained. Plaintiff owned copyright registration for Test Item Bank. Plaintiff reused questions on exams in successive years, as well as across multiple examinations in same year. Defendant was certified radiologist and developer of exam preparation course for plaintiff's exams. Defendant, who knew that plaintiff reused exam questions, solicited former test takers to send her questions from prior exams, which she would relay to

students in her exam preparation course. Plaintiff learned of defendant's actions, and as result, was forced to retire eighty-seven questions from Test Item Bank. Plaintiff filed suit against defendant for copyright infringement. Court found in favor of plaintiff, and awarded plaintiff $87,000 in statutory damages, finding defendant's actions willful. Plaintiff also moved for attorneys' fees. Court found plaintiff entitled to reasonable attorneys' fees because plaintiff was compelled to initiate lawsuit due to defendant's willful and egregious infringement and bad faith litigation tactics, which prolonged case unnecessarily. Court noted that plaintiff was forced to file numerous motions to compel because defendant would not properly respond to plaintiff's discovery requests. Additionally, case only went to trial because defendant made knowingly false representations to court. Had defendant not made false assertions, plaintiff's Motion for Summary Judgment might not have been denied, and case would have been resolved. Finally, court noted that award of costs and attorneys' fees also served goal of deterrence. As defendant stated intention to resume teaching exam preparation courses once case was resolved, and as defendant showed that she did not recognize her conduct was unlawful and was willing to lie to avoid liability, court found award of attorneys' fees appropriate. Accordingly, court directed plaintiff to file motion for reasonable costs and fees.

InDyne, Inc. v. Abacus Technology Corp., No. 11-137, 2014 U.S. Dist. LEXIS 23582 (M.D. Fla. Feb. 24, 2014)

District court, adopting Report and Recommendations of magistrate judge, awarded defendant attorneys' fees in amount of $496,000, augmented by interest, for district court litigation and $300,000, augmented by interest, for appeal to Eleventh Circuit. Plaintiff Indyne, Inc. filed copyright infringement claim against Abacus Technology Corporation for infringement of software code used during contract with NASA. Indyne, for NASA project and other government projects, would constantly change software code of program. District court granted summary judgment in favor of Abacus, and Eleventh Circuit affirmed, finding that Indyne could not produce copy of version of software alleged to be infringed, and therefore no jury could analyze substantial similarity. District court, finding Abacus to be prevailing party, granted Abacus's motion for attorneys' fees per recommendation from magistrate. District court found that (1) it was objectively unreasonable for InDyne to file suit without evidence of its software code to prove substantial similarity; (2) InDyne's motivations were questionable at time of suit due to forensic report "showing that Abacus may have copied the code"; and (3) future copyright holders without evidence of copyrighted software code should be deterred from filing suit.

District court awarded fees recommended by magistrate, with minor change due to typographical error.

Kernel Records Oy v. Mosley, No. 09-21597, 2013 U.S. Dist. LEXIS 99094 (S.D. Fla. July 16, 2013)

District court granted defendants' request, as prevailing party, for attorneys' fees and costs under § 505. Court explained that "prevailing party" is party in whose favor judgment is rendered, regardless of amount of damages. Judgment must create material alteration of legal relationship of parties. Material alteration is (1) situation where party has been awarded by court at least some relief on merits of his claim, or (2) judicial *imprimatur* on change in legal relationship between parties. Court held that because plaintiff opposed summary judgment, ruling was "involuntary dismissal of [plaintiff's] claim." And, under Rule 41(b), "[u]nless the dismissal order states otherwise, a dismissal under this subdivision (b) and any dismissal not under this rule — except one for lack of jurisdiction, improper venue, or failure to join a party under Rule 19 — operates as an adjudication on the merits." Defendant thus was prevailing party.

Washington Shoe Co. v. A-Z Sporting Goods, Inc., No. 09-1042, 2013 U.S. Dist. LEXIS 114339 (W.D. Wash. Aug. 12, 2013)

Plaintiff moved for award of attorneys' fees and costs in infringement action in which parties, after four years of litigation over issue of personal jurisdiction, agreed to settle claims by accepting judgment against defendants in amount of $30,000. Plaintiff sought award of $267,814 in attorneys' fees, and costs in amount of $22,338.94. Defendants initially argued award not proper because defendants did not admit liability for infringement, and only issue litigated in underlying action was personal jurisdiction, not merits of plaintiff's infringement claim. Court disagreed, noting that settlement expressly acknowledged $30,000 judgment was exclusive of plaintiff's ability to seek award for attorneys' fees and costs. Defendants also challenged reasonableness of fees and costs requested. Court found hourly rates charged by plaintiff's counsel were reasonable based on local standards for experienced intellectual property attorneys; however, after carefully reviewing counsel's billing statements, court found "counsel's claimed expertise did not redound to the benefit of its client in a number of instances." Specifically, court noted counsel billed significant amounts of time on procedural and relatively simple matters, and, due to high staff turnover, was frequently bringing new people up to speed. According to court, "plaintiff cannot have it both ways: it cannot claim expertise as justification for high hourly rates and then spend significant amounts of time on procedural, simple, and/or threshold matters." Accordingly, court

granted plaintiff's motion in part, awarding plaintiff attorneys' fees in lesser amount of $110,373.75 and costs in amount of $22,338.94.

Shelton v. MRIGlobal, No. 11-2891, 2014 U.S. Dist. LEXIS 33369 (D. Colo. Mar. 13, 2014)

Plaintiffs David M. Shelton and DesignSense, Inc. entered into contract with defendant MRIGlobal to provide support services related to its copyrighted 3PQ structure, designed by Shelton and licensed to DesignSense to "manage and control the design and build process for buildings." Court dismissed DesignSense's claims for copyright infringement. In considering motion seeking over $60,000 in attorneys' fees, court considered *Fogerty* factors of frivolousness, motivation, objective unreasonableness, and need to advance considerations of compensation and deterrence. Since DesignSense's copyright claims were dismissed pursuant to Rule 12(b)(6), court found that there were insufficient facts to conclude that DesignSense's claims were based on "unprotectible processes or ideas," as alleged by MRI. Although DesignSense failed to allege "substantial similarity," there were insufficient facts to conclude that DesignSense's claims were frivolous or objectively unreasonable, since MRI failed to show how DesignSense's failure led to such conclusion. Court found that MRI's allegation that DesignSense's claim was objectively unreasonable due to contract between parties providing "unlimited rights" to DesignSense's work product would require court to construe contract and reach merits of claim. Claim was dismissed for lack of subject matter jurisdiction, and court declined to consider merits. Furthermore, court found that MRI produced no evidence in support of allegation that DesignSense had improper motivation in seeking "more than the benefit of [their] bargain." Finally, although court recognized need for deterrence, court found that facts did not lead to deterrence factor outweighing other *Fogerty* factors. Court also denied MRI's motion for costs, since *Fogerty* factors did not support such finding, and MRI failed to "explain or indicate the portion of those costs" attributable to DesignSense's copyright claim.

Lexar Homes, Inc. v. Port, No. 12-416, 2013 U.S. Dist. LEXIS 173506 (E.D. Wash. Dec. 11, 2013)

District court granted defendants' motion for costs and attorneys' fees under § 505, after granting summary judgment in their favor on all counts, in dispute between two housing developers involving infringement claim for similar looking model homes. Court considered following factors in deciding in defendants' favor: (1) degree of success defendants obtained; (2) frivolousness of plaintiff's claim; (3) objective reasonableness of plaintiff's factual and legal arguments; (4) plaintiff's motivation in bringing lawsuit; and (5) need for compensation and deterrence. Court found

plaintiffs' claims were frivolous and objectively unreasonable because plaintiffs had no evidence of copying prior to filing complaint, yet conducted minimal formal discovery once action commenced. Court also found need for deterrence, insofar as plaintiff instituted claims devoid of supporting facts, and litigated without adequate research "based on a cost/benefit analysis that tells such [a plaintiff] that they can score big if they win and that there will be no adverse consequences if they lose." Per statute, court awarded reasonable costs amounting to nearly all of defendants' claimed costs and all of defendants' claimed attorneys' fees, which were independently assessed by court using Lodestar method.

Scentsy, Inc. v. B.R. Chase, LLC, 2013 U.S. Dist. LEXIS 122812 (D. Idaho Aug. 26, 2013)

Court awarded defendant reasonable attorneys' fees incurred in successful defense of infringement suit. First, defendant won on all of plaintiff's claims, including copyright claims, and thus obtained highest degree of success. Further, awarding attorneys' fees advanced purposes of Act, because it encouraged defendants to litigate meritorious defenses and assured authors freedom to invent without threat of meritless copyright litigation. Although court found that plaintiff's claims were not objectively unreasonable and were not motivated by bad faith or anti-competitive reasons, on balance, court held defendant entitled to reasonable attorneys' fees.

C. *Injunction/Impoundment*

Fox Broadcasting Co. v. Dish Network, L.L.C., 723 F.3d 1067 (9th Cir. 2013)

Ninth Circuit affirmed district court's denial of plaintiff's request for preliminary injunction. 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 describers. 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. District court held plaintiffs did not demonstrate likelihood of success on most copyright infringement claims, except for claims regarding copies of plaintiffs' works that defendant used to test its AutoHop program. Court found direct infringement based on such copies, but held

plaintiff failed to establish irreparable harm. On appeal, Ninth Circuit affirmed district court's holding. First, Ninth Circuit found district court did not abuse its discretion in holding plaintiff unlikely to succeed on claim for direct infringement regarding PTAT. Infringement of reproduction right requires copying by defendants. Ninth Circuit found district court did not err in finding that user, not defendant, made copies of programs, as defendant operated system used to make copies at user's command. Ninth Circuit also found that district court did not abuse its discretion in concluding plaintiff was unlikely to succeed on claim of secondary infringement. Ninth Circuit found district court properly relied on *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984), for guidance as to whether defendant's customers' copying of plaintiffs' programs was fair use. Relying on *Sony* for first three factors, Ninth Circuit affirmed that plaintiff could not establish case of direct infringement against customers as customers' use was for non-commercial purposes. Under fourth factor, Ninth Circuit distinguished case from *Sony* as secondary market did not exist in *Sony*, but still did not find harm to future market as any harm would be due to commercial skipping, and not recording of programs for which plaintiff owned copyright. Finally, Ninth Circuit affirmed district court's holding that plaintiff failed to demonstrate irreparable harm caused by copies defendant made of plaintiff's programs for use in testing AutoHop program. Assuming district court was correct that plaintiff would succeed on merits of claim, Ninth Circuit agreed with district court that any harm established by plaintiff did not come from copies, but rather came from AutoHop program. As plaintiff did not prove that copies were integral to AutoHop's functioning, Ninth Circuit found district court did not err in finding such copies were not cause of plaintiff's alleged harm. Accordingly, under its "limited and deferential" review of preliminary injunction, court found district court did not abuse its description in declining to grant plaintiff's preliminary injunction.

Fox Television Stations, Inc. v. Filmon X LLC, 966 F. Supp. 2d 30 (D.D.C. 2013)

Owners and distributors of television content brought suit for infringement against defendant, which offered subscribers ability to watch live over-air television channels through computers and on mobile devices. Court granted plaintiffs' motion for preliminary injunction upon finding that plaintiffs were likely to succeed on claim that defendant's service violated plaintiffs' right of public performance. Defendant contended that it had modeled its technology after similar system held non-infringing in *Cartoon Network, LP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008) ("*Cablevision*"), because each subscriber had received "unique" copy of copyrighted programming. Plaintiffs argued that *Cablevision* was wrongly

decided, and urged court to adopt reasoning of *Fox Television Stations, Inc. v. BarryDriller Content Systems, PLC*, 915 F. Supp. 2d 1138 (C.D. Cal. 2012) ("*BarryDriller*"), which held squarely to contrary that defendant's system violated copyright owner's right of public performance. Although neither *Cablevision* nor *BarryDriller* decision was binding, court found *BarryDriller* decision "more persuasive." In particular, court found violation of right of public performance under plain language of Transmit Clause since it explicitly encompasses new technologies and every broadcast of television program could be described as "'generated from the same copy' — the original source." Thus, it would be "incongruous to suggest that [defendant] does not 'perform' 'publicly' by making Plaintiffs' programs available to any person with an Internet-enabled device." Further, nothing in Act or its legislative history "suggests that Congress intended a commercial entity that rebroadcasts copyright material for consumption by the public, such as [defendant], to avoid liability for infringement of the copyright holders' exclusive right of public performance." In so holding, court agreed with *BarryDriller* that *Cablevision* had been wrongly decided and that, by focusing on "the artifice of one-to-one," it had inappropriately substituted "transmission" for "performance" in its public performance analysis. Because other three factors weighed in favor of plaintiffs, court entered preliminary injunction extending to entire United States except Second Circuit, where *Cablevision* remained binding precedent.

EyePartner, Inc. v. Kor Media Group, LLC, No. 13-10072, 2013 U.S. Dist. LEXIS 98370 (S.D. Fla. July 15, 2013)

Court granted plaintiff's motion for preliminary injunction enjoining defendants from maintaining, using, distributing, marketing, disclosing, benefiting from, promoting, selling, offering for sale and licensing plaintiff's copyrighted TikiLIVE software platform, and engaging in acts of unfair competition based upon defendants' "rogue efforts to clandestinely decrypt EyePartner's confidential intellectual property and subsequent unlicensed use in direct competition." Work at issue was source code. It was undisputed that defendants copied and modified plaintiff's source code, and that terms of license prohibited modification. Thus, court granted motion for preliminary injunction.

Broadcast Music, Inc. v. MWS, LLC, No. 11-1481, 2013 U.S. Dist. LEXIS 111560 (E.D. Mo. Aug. 8, 2013)

District court granted plaintiff's motion for summary judgment and denied defendants cross motion for summary judgment, finding defendants' unauthorized public performance of musical compositions was willful copyright infringement. Plaintiffs were BMI, performing rights society which li-

censes right to publicly perform copyrighted musical works on behalf of owners of works, and individual copyright owners. BMI had agreements with copyright owners whereby it acquired non-exclusive public performance rights in works. BMI granted owners and operators of restaurants and bars right to publicly perform any musical works in BMI's repertoire by means of blanket license agreement. Defendants were company and individual who owned and operated establishment "Fifteen," which regularly offered performances of live and recorded music, including music in BMI's repertoire. BMI sent defendants 23 letters and called defendants 66 times informing defendants they needed license to publicly perform BMI's works. BMI additionally sent defendants nine letters demanding that defendants cease public performances of works until they obtained license. Defendants did not enter into license agreement with BMI, and continued to publicly perform musical works. BMI hired investigators to visit establishment and document unauthorized performances. Thereafter, BMI sued defendants for five counts of infringement. Court found plaintiffs established *prima facie* case of infringement. Plaintiffs requested injunctive relief, statutory damages, costs and attorneys' fees. Under § 502(a), court may award temporary or final injunctive relief to "prevent or restrain infringement of a copyright." Plaintiffs argued injunctive relief was appropriate, as defendants continued to offer unauthorized performances even after receiving numerous calls and letters instructing them to cease such performances. Court agreed, finding defendants infringed plaintiffs' copyrights, and found presumption of irreparable harm (notwithstanding Supreme Court's *eBay* and *Winter* decisions in 2006 and 2008). Additionally, court found balance of harm weighed in favor of plaintiff, as defendants would not be harmed if they were enjoined from committing unlawful acts. Finally, court found public interest weighed in favor of injunction as it was in public's interest to uphold copyright protection and copyright holder's exclusivity. Court therefore granted plaintiff's request for injunction.

Community TV of Utah, LLC v. Aereo, Inc., No. 13-910, 2014 U.S. Dist. LEXIS 21434 (D. Utah Feb. 19, 2014)

Plaintiffs, group of local broadcasting companies, brought suit against Aereo, which enabled customers to watch or record broadcast television programs on computer or mobile device. Court stayed action pending Supreme Court decision in *ABC v. Aereo*; issue was whether case should be stayed with or without preliminary injunction. Aereo's system captured over-air broadcasts from local TV stations and created digital copies, which were streamed to customers over Internet. Court granted preliminary injunction to plaintiff, determining that Transmit Clause applied to Aereo's activities. "Aereo uses any device or process to transmit a per-

formance or display of Plaintiff's copyrighted work programs to Aereo's paid subscribers, all of whom are members of the public. However, Aereo's retransmissions are done without a license to do so." Critical distinction between Aereo and cable providers in *Cablevision*, court found, was that cable company paid licensing fees, and Cablevision subscribers already had ability to view programs through authorized subscriptions. Looking at plain language of statute and legislative intent, court determined that Aereo was engaging in public performances when it intercepted and retransmitted copyrighted programs to paying strangers, stating application of Transmit Clause should focus more on functionality of system and less on technical details. Court found likelihood of success on merits and irreparable harm on basis that continued infringements would interfere with plaintiff's relationships and negotiations of legitimate licenses, siphon viewers away from plaintiff, threaten goodwill and relationships with online distributors, cause plaintiff to lose position in marketplace for Internet content, and cause plaintiff to lose control of quality and potential piracy of its programming.

D. Miscellaneous

Unclaimed Property Recovery Service, Inc. v. Kaplan, 734 F.3d 142 (2d Cir. 2013)

Appeals court affirmed district court's dismissal of infringement suit based upon defendant's allegedly unauthorized use of original class action complaint that had been authored by plaintiff. Plaintiffs argued that new counsel's filing of amended complaint that largely incorporated original complaint violated copyrights in original complaint. In affirming lower court's holding, court held that holder of copyright in litigation document who authorizes party to use copyrighted document in legal proceeding "necessarily conveys, not only to the authorized party but to all present and future attorneys and to the court, an irrevocable authorization to use the document in the litigation thereafter." Absent such ruling, courts would be unable to fairly and thoroughly adjudicate cases if party suddenly lost right to give court copies of documents already used in litigation. Court held that such holding was particularly crucial with respect to complaints, which are "the foundation of a legal action" and amendments thereto incorporating portions of original complaint are "a regular component of the litigation process." Thus, because copyright plaintiffs authorized class action plaintiffs to file original complaint, they could not prohibit those class action plaintiffs from continuing to use complaint in context of that litigation.

VIII. PREEMPTION

Redd Group v. Glass Guru Franchise Systems, No. 12-4070, 2013 U.S. Dist. LEXIS 95651 (N.D. Cal. July 8, 2013)

Plaintiff, owner of patent for glass and window repair technology, filed action against defendants alleging, *inter alia*, copyright infringement based on defendants' production and dissemination of promotional materials. Defendants moved to dismiss plaintiffs' unfair competition law claims on grounds that Copyright Act preempted them. Plaintiffs argued that claims were "not exclusively tethered to copyright infringement claim" because "Defendants engaged in a number of acts other than copyright infringement that constitute unfair or unlawful competition or business practices." Court, however, rejected argument because claims did not add "extra element" that changed nature of unfair competition claims such that they could survive preemption. Accordingly, court granted motion to dismiss such claims without leave to amend.

Moore v. Lightstorm Entertainment, No. 11-3644, 2014 U.S. Dist. LEXIS 6017 (D. Md. Jan. 16, 2014)

District court denied plaintiff's motion for reconsideration regarding court's dismissal of plaintiff's breach of implied contract claims on preemption grounds, finding plaintiff's motion suffered fatal procedural defects, and failed to satisfy requirements for motions under Federal Rules of Civil Procedure. Plaintiff was science fiction screenwriter who wrote screenplays *Aquatica* and *Descendants: The Pollination,* and created related artwork. Defendants were James Cameron and his production company, Lightstorm Entertainment, Inc. Plaintiff alleged defendants infringed works to create *Avatar*, and had access to plaintiff's works well before they pre-registered *Avatar* in 2006. Plaintiff alleged that he submitted screenplay for *Aquatica* to defendants on several occasions through intermediaries, and was eventually advised that defendants were not interested in producing works. Plaintiff did not describe details regarding defendants' rejection of plaintiff's work. Additionally, plaintiff stated that he submitted screenplay for *Pollination* to defendants through counsel, with permission, as well as through producer who allegedly had "nexus" with Cameron. Plaintiff stated that he followed up with defendants several times, but he did not describe any communication from defendants regarding work. Thereafter, plaintiff sued defendants for breach of implied contract, as well as copyright infringement. Defendants moved to dismiss. Court granted defendants' motion as to plaintiff's breach of implied contract claim, and denied motion as to Copyright Act claims. Plaintiff filed Motion for Reconsideration as to breach of implied contract claim. Court found Motion for Reconsideration not only time-barred, but also found it

did not meet standards for reconsideration under Rule 60(b) or Rule 59(e). According to court, under Rule 60(b), moving party must "must make a showing of timeliness, a meritorious defense, a lack of unfair prejudice to the opposing party, and exceptional circumstances." Court found plaintiff failed to present meritorious defense, and did not demonstrate exceptional circumstances as required by rule. To survive preemption, plaintiff had to prove contract claim contained "extra element" in addition to those required for copyright violation, and that extra element caused nature of claim to be "qualitatively different from copyright infringement." Plaintiff relied on *Acorn Structures, Inc., v. Swantz*, 846 F.2d 923 (4th Cir. 1988), leading case on preemption of breach of implied contract claim, to argue that implied-in-fact contract was formed between himself and defendants, that contract gave rise to implied promise for defendants to pay if they used his copyrighted materials, and that such implied promise constituted "extra element." Court distinguished *Acorn*, stating that in *Acorn* implicit promise arose from express bilateral agreement executed by parties. In instant case, however, court found no evidence of any express bilateral agreement or even any bilateral negotiation or contact between parties. Court noted that numerous Fourth Circuit cases ran contrary to plaintiff's argument, specifically *Wharton v. Columbia Pictures Industries, Inc.*, 907 F. Supp. 144, 146 (D. Md. 1995), where court found screenwriter's breach of contract claims were equivalent to right to prepare derivative works under copyright act because claim concerned central allegation that defendants "plagiarized" plaintiff's copyrighted screenplay. Plaintiff also tried to rely on cases from Ninth and Second Circuit that dealt with implied contract claims arising from entertainment business. Court rejected plaintiff's reliance on those cases, as well, noting that such cases also show level of bilateral negotiation that was absent from instant case. Accordingly, as plaintiff was unable to show breach of implied contract claim contained extra element, and failed to allege any exceptional circumstances, court found that even if plaintiff were not time barred from filing Motion for Reconsideration under Rule 60(b), it failed to meet substantive requirements under rule. Court also noted that plaintiff was unable to make request for reconsideration under Rule 59(e), as he failed to show that court committed clear error of law in dismissing contract claims as preempted.

Versata Software, Inc. v. Ameriprise Financial, Inc., No. 14-12, 2014 U.S. Dist. LEXIS 30934 (W.D. Tex. Mar. 11, 2014)

Plaintiff, software developer, sued defendant, financial services company, in Texas state court alleging breach of Master License Agreement by allowing unauthorized contactors to access and work on plaintiff's software in contravention of license terms. Defendant counterclaimed, alleging

plaintiff's breach of GNU General Public License by incorporating publicly available source code into software at issue, and successfully removed case to district court based on plaintiff's invocation of copyright preemption as affirmative defense to defendant's counterclaim. Deciding cross motions for summary judgment and plaintiff's motion to remand case back to state court, district court held plaintiff's claims based on breach of Master License Agreement preempted, but defendant's counterclaim based on plaintiff's breach of GNU General Public License not preempted. However, because plaintiff did not plead copyright infringement in complaint, district court lacked jurisdiction, and so granted plaintiff's motion to remand.

East Point Systems, Inc. v. Maxim, No. 13-215, 2014 U.S. Dist. LEXIS 15280 (D. Conn. Feb. 7, 2014)

Plaintiff, developer of property preservation software program, sued defendants, individual and related companies conducting business in property preservation industry, for numerous claims including breach of contract, tortious interference, violations of Trade Secret Act, and copyright infringement, based on defendants' separate development of software that defendants had initially contracted plaintiff to develop. In response, defendants counterclaimed, asserting claims including breach of contract, fraud, *quantum meruit*, injunction and declaratory judgment. Plaintiff moved to dismiss defendants' counterclaims under Rule 12(b)(6) for failure to state claim. Having reviewed each of defendants' counterclaims as pleaded, court found defendants failed to adequately plead claims upon which relief can be granted. With respect to counterclaim for *quantum meruit*, court noted that Copyright Act provides relief duplicative of that requested by defendants. Therefore, court dismissed *quantum meruit* claim as preempted. However, court dismissed counterclaims without prejudice to allow defendant opportunity to correct deficiencies.

Excel Homes, Inc. v. Locricchio, No. 13-14354, 2014 U.S. Dist. LEXIS 34105 (E.D. Mich. Mar. 17, 2014)

Plaintiff, owner of copyrighted architectural drawings for residence called "Sandstone," brought suit against real estate agent and purchaser of home that allegedly built house based upon plaintiff's architectural plans. Court granted motion to dismiss claim for infringement against purchaser of home on ground that complaint failed to plausibly allege any infringing acts committed by purchaser. Only logical reading of complaint was that it alleged improper use of architectural plans by real estate firm, and not by "customer" who purchased home. Court held that plaintiff's state-law claims alleging unfair competition and violation of Michigan Consumer Protection Act were preempted because they did not allege "extra ele-

ments," but instead derived solely from defendants' unauthorized use of copyrighted architectural plans.

Allvest Information Services, LLC v. Noble Software Group, LLC, No. 13-161, 2014 U.S. Dist. LEXIS 46934 (D. Utah Apr. 3, 2014)

Plaintiffs brought suit in Utah state court alleging state-law claims for, *inter alia*, breach of contract, misappropriation of trade secrets, and breach of fiduciary duty. Defendants thereafter removed to federal court. Court granted plaintiffs' motion to remand back to state court upon determining that plaintiffs' well-pleaded complaint did not state any federal causes of action, including copyright claims. When well-pleaded complaint asserts only state-law causes of action, Act may preempt such state-law claims only if they are co-extensive with claims brought under Act. Under binding Tenth Circuit precedent, plaintiffs' trade secret misappropriation claim pleaded "extra element" with respect to infringement claim, and thus was not preempted. Furthermore, defendants' invocation of work-made-for hire doctrine was inapplicable to trade secret misappropriation claim and, at most, was defense that court could not consider for purposes of assessing federal question jurisdiction.

Allegiant Marketing Group, Inc. v. May Avenue Ford, LLC, 986 F. Supp. 2d 1259 (W.D. Okla. 2013)

District court dismissed plaintiff's state law claim for interference with prospective business interference, finding it preempted. Plaintiff alleged defendants "poached particular customers who desired to run marketing promotions using [p]laintiff's works" and sold copies of plaintiff's copyrighted work to potential customers, decreasing plaintiff's ability to market its "Mystery Mania Program." State law claims are preempted if "(1) the work is within the scope of the 'subject matter of copyright'" and "(2) the rights granted under state law are equivalent to exclusive rights within the scope of federal copyright." Plaintiff did not contest first prong, but argued interference with its contractual relationship with Connor Auto Group and "prospective business interests, based on lost sales of non-copyrighted mail programs or 'follow-on mail campaigns.'" Court found no valid contract with Connor Auto Group, and that tortious interference claim arose out of "copying, reproducing, distributing, and selling [p]laintiff's works." Interference with prospective business interest claim was thus within scope of federal Copyright Act, and preempted.

Computer Automation Systems v. Intelutions, Inc., No. 13-1292, 2013 U.S. Dist. LEXIS 158525 (D.P.R. Nov. 4, 2013)

District court denied defendant's motion to dismiss on preemption grounds. Plaintiff technology company created Special Education Automation Software ("SEAS") to assist school districts and state education departments with compliance requirements under Individuals with Disabilities in Education Act. Plaintiff owned copyrights for several aspects of SEAS, and from 2006 to 2012 provided Puerto Rico Department of Education ("PRDE") with "the appropriate software licensing of Plaintiff's proprietary systems and technical support to enable the PRDE to compile and manage the essential data for the special education students of Puerto Rico." In 2010, PRDE contracted with defendant for local assistance with plaintiff's product. Defendant became aware that plaintiff and PRDE were under contract. Accordingly, plaintiff began to provide defendant with data related to students in Puerto Rico. Over time, defendant advised plaintiff it needed access to entire software system, and ensured plaintiff that its intellectual property would be protected. In 2011, defendant engaged in negotiations with PRDE to develop new software application, Mi Portal Especial ("MiPE") to replace plaintiff's program. Plaintiff was unaware of negotiations until it was advised in 2012 that PRDE was replacing SEAS with MiPe. Plaintiff sued defendant for copyright infringement, misappropriation of trade secret, tortious interference with contractual relations and fraud. Defendant moved to dismiss, alleging Copyright Act preempted state law claims. Court denied defendant's motion. First, court noted that if state cause of action requires extra element beyond elements for copyright claim, claim may not be preempted. Court found misappropriation of trade secret claim escaped preemption, as Puerto Rico Trade Secrets Act requires breach of duty of confidentiality, element not present in copyright infringement claim. Court also found tortious interference claim not preempted. Court relied on *Yankee Candle Co. v. Bridgewater Candle Co.*, 259 F. 3d 25 (1st Cir. 2002), in which First Circuit stated tortious interference claim could co-exist with copyright infringement claim if "evidence relating to the alleged copyright . . . violations has no bearing on whether the representations [that comprise tortious interference] were made." Court elaborated that evidence relevant to failed claim might be of independent relevance to surviving claim resting on independent elements. Accordingly, court found it premature to dismiss case, noting that plaintiff would be unjustly foreclosed from asserting tortious interference claim should copyright claim ever be dismissed. Additionally, court noted that plaintiff's tortious interference claim was based on defendant's role as intermediary between PRDE and plaintiff. As such claim could have no relation to copyright claim, court found it should decide question of preemption following discovery. Addi-

tionally, court stated that Copyright Act does not automatically preempt claim for fraud. Defendant alleged that fraud claim should be dismissed because parties were not parties to contract. Plaintiff argued that parties did not have to have contractual agreement for general prohibition against fraud by misrepresentation to apply. Court agreed with plaintiff, and additionally found that while injury plaintiff suffered as result of relying on false representation seemed to coincide with copyright claim, First Circuit requires court to determine matter based on actual evidence, and not plausibility. Court therefore denied defendant's motion to dismiss on all preemption grounds.

IX. DIGITAL MILLENNIUM COPYRIGHT ACT

United States v. Reichert, 747 F.3d 445 (6th Cir. 2014)

Appeals court affirmed defendant's criminal conviction under DMCA for trafficking in circumvention technology that enabled users to play pirated video games. Court rejected defendant's objection to jury instruction regarding "deliberate ignorance," which defendant claimed had effect of negating requirement that defendant's conduct be "willful" violation under DMCA. Defendant did not dispute that DMCA's willfulness requirement could be met by showing willful blindness. First, court held that instruction's statement that defendant was willfully blind if acted "deliberately" to avoid full knowledge was accurate statement of law that tracked language of Sixth Circuit Pattern Criminal Jury Instructions. Second, with respect to defendant's argument that instruction improperly allowed jury to convict defendant based upon finding only knowledge of trafficking in circumvention technology, and not knowledge that trafficking in circumvention technology violated law, court held that while challenged portion could have been more precise, when jury instructions were read in entirety, jury was properly instructed on issue of willfulness. Jury was not required to find that defendant knew conduct violated specific statute, only that defendant knew conduct was illegal. Because challenged portion was "sandwiched between" two instructions stating that jury had to find that defendant "acted with the intent to do something the law forbids" and "was aware of a high probability that he was violating the [DMCA], and . . . deliberately closed his eyes to what was obvious," law was accurately stated, and thus jury instructions provided no basis for disturbing conviction.

Gardner v. CafePress, Inc., No. 13-1108, 2014 U.S. Dist. LEXIS 25405 (S.D. Cal. Feb. 26, 2014)

District court denied defendant's motion for summary judgment that it was entitled to DMCA safe harbor, and granted defendant's motion for

partial summary judgment on plaintiff's entitlement to statutory damages. Plaintiff filed complaint against e-commerce vendor CafePress for infringing copyright in image titled "Alaska Wildlife." With regard to DMCA safe harbor, court found CafePress was not "service provider" as matter of law, because it went beyond facilitating exchange of information between internet users by directly selling products to online shoppers through "CafePress Marketplace," setting retail prices for products sold through Marketplace, and paying users only royalty or commission for sale of their products. It was undisputed that CafePress had policy to terminate repeat infringers under § 512(i). Court could not determine as matter of law, however, that CafePress did not interfere with "standard technical measures," since uploading of images to its site deleted metadata regarding image's copyright information. As to elements of entitlement to § 512(c) safe harbor, it was undisputed that CafePress responded expeditiously to disable access to allegedly infringing material once it became aware of plaintiff's allegations, and that CafePress designated agent to receive infringement notices. However, because CafePress's Marketplace activities went beyond facilitating storage of and access to allegedly infringing materials, court could not conclude as matter of law that CafePress undertook its activities "by reason of the storage at the direction of a user." Plaintiff did not dispute that CafePress did not have actual knowledge of alleged infringement, and unrelated infringement notice regarding materials on second user's account was insufficient to show that CafePress had apparent knowledge. Finally, court could not determine as matter of law that CafePress did not receive "financial benefit directly attributable to the infringing activity"; CafePress could gain financial benefit from Marketplace and its feeds. In addition, CafePress's active involvement in listing, sale, manufacture, and delivery of items offered for sale in Marketplace might be type of "purposeful conduct" that would provide CafePress with "right and ability to control" allegedly infringing activity. Court, however, did grant CafePress partial summary judgment that statutory damages were precluded because plaintiff registered copyright after alleged infringement began. Court held that printing image on different products did not constitute different type of infringement post-registration.

Dish Network, L.L.C. v. Vicxon Corp., No. 12-9, 2013 U.S. Dist. LEXIS 105204 (S.D. Cal. July 25, 2013)

Court granted plaintiffs' unopposed motion for summary judgment for violations of Digital Millennium Copyright Act against satellite television pirate, awarding over 27 million dollars in damages and permanent injunction. Plaintiffs, operators of various elements of DISH satellite distribution network and designers and distributors of satellite dishes and other

equipment for use with same, sued defendants, corporation that developed and manufactured satellite receivers and related equipment and its CEO, alleging that defendants' product was designed and produced to circumvent plaintiffs' security system and was used primarily for that purpose. Section 1201(a)(2) of DMCA addresses products that circumvent technological measure that effectively controls access to copyrighted work. Court held that defendants' technology violated statute and found defendant corporation liable under statute. Court further found defendant CEO liable under Ninth Circuit precedent, because he was "guiding spirit" and "central figure" in trafficking of defendants' product. Court noted that DMCA provides for "statutory damages for each violation of section 1201 in the sum of 'not less than $200 or more than $2,500 per act of circumvention, device, product, component, offer, or performance of service, as the court considers just.'" Court awarded damage in amount requested by plaintiffs, which amounted to $27,758,200 for at least 138,791 products distributed in violation of DMCA, at $200 per device. Court also granted permanent injunction enjoining defendants from further circumventing plaintiffs' security systems and ordering defendants to destroy all products remaining in inventory.

Merideth v. Chicago Tribune Co., LLC, No. 12-7961, 2014 U.S. Dist. LEXIS 2346 (N.D. Ill. Jan. 9, 2014)

Plaintiff, copyright holder of photographs at issue, made certain photographs available to New Press, and New Press, without plaintiff's permission, distributed photographs to news outlets including defendant Chicago Tribune. As part of settlement with plaintiff, New Press sent notice to news outlets explaining that they could only use photographs with plaintiff's permission. Defendant subsequently used photographs on its website with captions attributing ownership to defendant, with no credit to plaintiff. Complaint alleged defendant was liable under §§ 1202(a) and 1202(b) of DMCA, which address use of copyright management information (CMI). Defendant filed motion to dismiss for failure to state claim. Court denied motion with regard to § 1202(a), and granted motion with regard to § 1202(b). Section 1202(a) prohibits knowingly (1) providing false CMI, or (2) distributing or importing for distribution false CMI. Section § 1202(b) prohibits knowingly (1) removing or altering CMI, (2) distributing with knowledge that CMI has been removed or altered without permission of copyright owner, and (3) distributing or importing with knowledge that CMI has been removed or altered without permission of copyright owner, knowing or having reasonable grounds to know that such distribution will induce, facilitate or conceal infringement. Noting that defendant's knowledge is required for liability under both sections, court found that because plaintiff established that he was copyright owner of

photograph, could infer that defendant knew it was not copyright holder of photograph when it published it, suggesting that CMI on defendant's photograph was false and defendant knew. Liability under § 1202(b) requires either that (1) photographs came into defendant's possession with CMI attached, and defendant intentionally removed it, or (2) photographs came into defendant's possession without CMI attached, defendant knew CMI had been improperly removed, and defendant used photographs anyway. Court stated that "having reasonable grounds to know" alternative stated in § 1202(b)(3) is not applicable to statute in its entirety. Even if having reasonable grounds to know that distribution will induce infringement will suffice, there still clearly exists threshold requirement of "knowledge" that CMI had been improperly removed.

Boatman v. U.S. Racquetball Association, No. 12-1590, 2014 U.S. Dist. LEXIS 43469 (D. Colo. Mar. 31, 2014)

Court denied both parties' motions for summary judgment. Plaintiff brought suit for infringement of photographs taken during U.S. Open based upon allegation that defendant had exceeded scope of licenses granted by plaintiff. With respect to plaintiff's motion for summary judgment, court held there was genuine dispute as to whether defendant's actions exceeded scope of license because license term permitting only "editorial use" of photographs was ambiguous, and testimony was unclear as to parties' intent as to meaning of term. Further, plaintiff failed to sustain burden on DMCA claim alleging defendant's intentional removal of plaintiff's watermarks from photographs due to disputed issues of fact concerning whether photographs submitted by plaintiff had originally contained watermarks and whether defendant even had ability to remove watermarks, since independent contractor handled selection of photographs.

Reno-Tahoe Specialty, Inc. v. Mungchi, Inc., No. 12-1051, 2014 U.S. Dist. LEXIS 17090 (D. Nev. Feb. 10, 2014)

Reno-Tahoe Specialty, Inc. brought action against Mungchi, Inc. for copyright infringement and removal or alteration of copyright management information under DMCA in connection with Reno-Tahoe's picture of Las Vegas landmarks entitled "695 View." Reno-Tahoe first obtained copyright registration in December 1999. Subsequent registrations were obtained for alterations to 695 View. Reno-Tahoe alleged Mungchi infringed copyright by copying 695 View and creating derivative works for use on t-shirts. Reno-Tahoe further alleged Mungchi continued to violate copyrights after cease and desist letters were sent to Mungchi in February 2008. Mungchi did not dispute Reno-Tahoe's factual allegations, but argued that artistic enhancements made to 695 View were insufficient to qualify as

original artwork and that Reno-Tahoe's copyright registrations were therefore invalid. Court noted that Reno-Tahoe failed to show original or comparable photos from which 695 View was created and Reno-Tahoe failed to provide authenticated evidence of works registered in 1999 or original works on which these registrations were based. Court found no genuine dispute of access due to cease and desist letter, however, court denied motion for summary judgment since substantial similarity determination of infringement requires jury determination due to intrinsic, i.e., subjective, component. Court denied summary judgment as to DMCA claim due to lack of evidence of design of t-shirts and absence of Munchi's admission of creating, choosing, or approving design of t-shirts.

X. MISCELLANEOUS

A. Visual Artists Rights Act

Cohen v. G&M Realty LP, No. 13-5612, 2013 U.S. Dist. LEXIS 165242 (E.D.N.Y. Nov. 20, 2013)

Artists associated with 5Pointz, series of buildings in Long Island City adorned with paintings known as "graffiti art," brought suit to prevent destruction of paintings under VARA. Court denied plaintiffs' motion for preliminary injunction. Between time court denied motion and issued written opinion, plaintiffs' paintings had been painted over by defendants and otherwise destroyed. Decision turned on whether "graffiti art" paintings were considered works of "recognized stature" to obtain protection under VARA. Court noted scant authority existed substantively exploring what constitutes works of "recognized stature." Court first held that it had no authority to preserve 5Pointz as tourist site, since VARA only protects individual works of visual art. However, court held that while evidence showed that at least some of 24 works at issue presented "sufficiently serious questions" going to merits of VARA claim, issue of whether such works qualified as works of "recognized stature" required fuller exploration of merits, and could not be determined at preliminary hearing. Moreover, since paintings had already been destroyed, plaintiffs could not credibly argue that alleged harm was not compensable by money damages. Transient nature of works also weighed against issuing preliminary injunction, since plaintiffs knew that buildings would be coming down and that paintings placed thereon would be destroyed, and yet many paintings were created after City Planning Commission had given final approval to defendants' demolition plans. In that respect, "plaintiffs have created their own hardship." Nonetheless, court implied that defendant could still be liable for significant monetary damages under VARA if such works were later determined to be works of "recognized stature," and noted that if defendants provided space to enable plaintiffs to establish "a large perma-

nent home for quality work by [these] acclaimed aerosol artists," court would look kindly upon such largesse if issue of monetary damages was ultimately considered.

B. Insurance

Lexington Insurance Co. v. MGA Entertainment, Inc., No. 12-3677, 2013 U.S. Dist. LEXIS 96395 (S.D.N.Y. July 10, 2013)

Plaintiffs, insurance companies, sued defendant, manufacturer of "Bratz" doll toys and insured under primary commercial general liability insurance and commercial "umbrella" liability insurance policies issued by plaintiffs, seeking declaration that plaintiffs were not obligated to defend or indemnify defendant in underlying infringement action, *Belair v. MGA Entertainment,* in which defendant prevailed. Defendant moved for summary judgment on issue of duty to defend. Plaintiffs cross-moved for summary judgment on same issue, and on defendant's counterclaims. Court noted that standard for summary judgment in duty to defend cases is "unique" in that "any factual dispute affecting the existence of [insurance] coverage creates a potential for coverage and a duty to defend." Court also noted that under applicable state law, duty to defend is construed broadly, and any doubt as to whether facts give rise to duty to defend are resolved in insured's favor. Here, plaintiffs argued no duty to defend because (1) complaint in underlying action did not allege "advertising injury" as defined in applicable insurance policies, and (2) even if complaint alleged advertising injury, "prior publication exclusions" in respective policies barred coverage. Although court agreed that complaint in underlying action did not specially allege "advertising injury" as defined in applicable insurance policies, and did not specify which Bratz doll designs infringed which copyrights, court found allegations of copyright infringement and "advertising injury" could reasonably be inferred from facts alleged in complaint. With respect to prior publication exclusions, court found 2001 was date of first publication of infringing works giving rise to defendant's advertising injury. Accordingly, court found prior publication exclusions barred coverage under policies issued in 2002 and 2003, but not under policies issued in 2001. Therefore, court granted summary judgment, in part, in favor of certain plaintiff insurance companies, and in favor of defendant, in part, as to other policies at issue, depending on date of respective policies.

C. Antitrust

Meredith Corp. v. SESAC, LLC, No. 09-9177, 2014 U.S. Dist. LEXIS 26992 (S.D.N.Y. Mar. 3, 2014)

District court denied defendant's motion for summary judgment, but narrowed plaintiffs' claims. Local television stations sued performing rights organization SESAC and its affiliates in class action, claiming SESAC's licensing practices violated federal antitrust law. BMI and ASCAP, two larger PROs, are subject to consent decrees, which impose significant restrictions regarding licensing terms. While SESAC was never subject to such decrees, prior to 2008, SESAC's latitude to set terms of music licenses was otherwise limited by industry-wide agreements and contractual obligations. Since 2008, however, SESAC had been free to unilaterally set terms as to how it issues licenses for more than 20,000 affiliated composers. Plaintiffs therefore contended that since 2008, SESAC had taken steps to make illusory any alternative to blanket "all or nothing" license, which conveys performance rights to music of all SESAC affiliates. Accordingly, plaintiffs claimed that SESAC and affiliates insulated product from competition, and thus stations were forced to purchase blanket license at exorbitant price, even though they had no interest in buying rights to entire SESAC repertory. Plaintiffs therefore claimed SESAC violated § 1 of Sherman Act, by combining to unlawfully restrain trade, and violated § 2 by conspiring to monopolize market for performance rights to musical works within SESAC's repertory. SESAC moved for summary judgment. Court denied SESAC's motion on all three counts, but on § 1 claim, granted summary judgment to SESAC in two ways that narrowed plaintiffs' claim. First, court rejected plaintiffs' *per se* theory of liability, finding that *BMI v. CBS*, 441 U.S. 1 (1979), made *per se* liability inapplicable to concerted actions consisting of offer by PRO of blanket license aggregating its members' performance rights. Court stated that if SESAC were found liable on § 1 claim, such liability must derive from rule of reason. Under rule of reason analysis, however, court found sufficient evidence that jury could find affiliates agreed to pool their copyrights in blanket license, and court therefore rejected SESAC's argument that evidence could not support finding of concerted action among affiliates. Additionally, while court found adequate evidence of concerted action among SESAC's affiliates to restrain trade, it rejected plaintiffs' claim of broad conspiracy among all of SESAC's 20,000 affiliates. Instead, court held evidence permitted finding of much narrower conspiracy among SESAC and subset of affiliates who executed supplemental affiliation agreements. Court reasoned that supplemental affiliation agreements effectively eliminated direct licensing as means by which stations could license such affiliates music, and therefore found that subset of affiliates who signed

supplemental affiliation agreements could enter into agreement with SESAC with intention of insulating SESAC's blanket license product from competition. Court also found evidence would support conclusion that anti-competitive effects of conduct outweighed pro-competitive tendencies. Court agreed with plaintiffs that relevant market should be defined as that for performance licenses of music in SESAC's repertory. Accordingly, court found more than sufficient evidence that SESAC's conduct had anti-competitive effect not outweighed by pro-competitive tendencies, as evidence showed that since 2008 fewer licensing options were realistically available to stations, and stations were therefore required to purchase SESAC's blanket license. Court also denied SESAC's motion for summary judgment as to plaintiffs' monopolization and conspiracy-to-monopolize claims brought under § 2.

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PART III

COPYRIGHT CORNER

THE ASCAP AND BMI CONSENT DECREES: IS PARTIAL WITHDRAWAL WISE?

by MICHAEL A. EINHORN, PH.D.*

I. INTRODUCTION

As an economic consultant active in media, entertainment, and technology since 2001, I submitted these comments in August 2014 as an independent party in response to the Justice Department's request for comments regarding modification of the present Consent Decrees with ASCAP and BMI. Note that I previously worked in the Antitrust Division of the U.S. Department of Justice.

As an immediate concern before the department, possible modifications include New Media services that implicate a digital performance right for works in a PRO catalog. New Media rights would generally implicate as complements performance rights in sound recordings, reproduction rights in compositions, synchronization rights in videos, and/or transmission rights for cloud services.

As a professional economist active in the concerns of the music industry, I advance to this Department the following recommendation to ensure the fullest potential for innovation, feedback, response, and realignment in the market for New Media services. Music publishers must be free to innovate, interact, negotiate, contract, and design cooperative agencies without impairment from ASCAP and BMI, the Rate Court administration, and all strictures thereof. In so far as its concerns regarding present anticompetitive behavior at ASCAP and BMI can be resolved, the Department should move to allowing partial withdrawal from PROs of publisher rights for New Media services.

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Outside of the potential for price rationalization, markets present two critical benefits to investors, rights owners, and users of new technologies and intellectual property. First, music publishers and service providers in bilateral market arrangements may more broadly implement contracting processes that enable incremental learning, balancing of risk, mutual problem-solving, and adaptation. Second, music publishers may respond to emerging opportunities through new organizational modes that are more administratively efficient and more adaptive than predecessor regimes at ASCAP and BMI.

II. RATE COURTS AND ADMINISTERED PRICING

ASCAP and BMI are the two major organizations in the U.S. that license collectively the public performance rights for all musical works listed in their respective catalogs. Due to an ongoing history of anti-competitive behavior at both organizations, ASCAP operates under the terms of a Consent Decree originally entered with the U.S. Department of Justice in 1941; a provision for a Rate Court was added in 1950 and the decree was again modified in 2001 (AFJ2).[1] The BMI decree was originally established in 1941, vacated and renegotiated in 1966, and amended with a Rate Court in 1994.[2]

Per Article IX of AFJ2, ASCAP must provide in writing to any prospective user a royalty fee for a license on a blanket, program, or one time use basis. Licensing under the Consent Decree is non-exclusive; i.e., music publishers may also license music directly from their individual catalogs. If ASCAP and a prospective licensee are unable to agree on a royalty arrangement, either party may take the matter before a Rate Court established and administered in the Southern District of New York. The purpose of the Rate Court is to set rates for licenses when the parties cannot agree.

In any such proceeding, the legal burden falls upon ASCAP or BMI to prove that its prospective fees are reasonable. If deemed unreasonable, the Court may determine an alternate rate — "a reasonable fee based on all the evidence" (i.e., "the price that a willing buyer and a willing seller would agree to in an arm's length transaction").[3] Once determined, ASCAP must offer the same fee to all similarly situated users who may come

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[1] United States v. Am. Soc'y of Composers, Authors, and Publishers, 1940-43 Trade Cas. ¶56, 104 (S.D.N.Y. 1941); 1950–51 Trade Cas. ¶ 62,595, at 63,754 (S.D.N.Y. 1950); No. 41 Civ. 1395 (S.D.N.Y. 2001).

[2] United States v. Broad. Music, Inc., 1940-43 Trade Cas. ¶ 56, 096 (E.D. Wisc. 1941); United States v. Broad. Music, Inc., 1966 Trade Cas. ¶ 71, 941 (S.D.N.Y. 1966); United States v. Broad. Music, Inc., 1996-1 Trade Cas. ¶ 71, 378 (S.D.N.Y. 1994).

[3] United States v. Broad. Music, Inc., 316 F.2d 189, 194 (3d Cir. 2003).

to seek a comparable license. Before a license fee is established, a prospective user may operate under a rate-less interim license that ASCAP may modify after court approval.

The Rate Court process is evidently cumbersome; hearings for new rates now extend well beyond one year, with settings of court deadlines, hearings for interim fees, and administrations of pretrial discovery.[4] Indeed, ASCAP now claims to have spent nearly one hundred million dollars on litigation expenses related to all rate court proceedings since 2009.[5] In addition to all costs of litigation that ASCAP and BMI must serially pay, each music provider itself must incur the legal costs of duplicate efforts before each Rate Court. This legal cost may be a considerable burden for smaller businesses yet to turn an annual profit.

ASCAP concludes that the expense and delay of Rate Court proceedings "could be avoided by the elimination of the ASCAP Consent Decree."[6] But this is impractical. Neither ASCAP nor BMI present credible evidence that any of the Department's many competitive concerns with their general behavior are mitigated in the past decade. Indeed, some additional concerns of recent misconduct by ASCAP and BMI are once again under investigation at the U.S. Department of Justice.[7]

The problem of Rate Court overhang now bears acutely on the licensing of musical compositions in streaming services, such as Pandora Media. The major publisher entities (Sony/ATV, EMI, BMG Chrysalis, and Warner Chappell Music) in 2013 withdrew (or announced plans to withdraw) related rights from ASCAP and BMI in order to license catalog directly to Pandora Media and other comparable streaming services.[8] By withdrawing works from the ASCAP and BMI catalogues, the publishers could license music to New Media users without competing against their

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[4] An earlier licensing agreement between ASCAP and Pandora terminated in December 2010. After nearly two years of negotiation and interim arrangements, Pandora came to file in November, 2012 a petition for a Rate Court ruling to be made effective retroactively from January 2011 through December 2015. After a year, the ASCAP Rate Court held a three-week trial in February 2014 and handed down a decision in March 2014; the verdict may yet be appealed. BMI filed a petition for a Rate Court hearing in June 2013 and a trial is yet to be scheduled.

[5] ASCAP, Music Licensing Study, Comments of the American. Society of Composers, Authors and Publishers 23 (May 23, 2014) [hereinafter ASCAP Comments], *available at* http://copyright.gov/docs/musiclicensingstudy/comments/Docket2014_3/ASCAP_MLS_2014.pdf.

[6] *Id.*

[7] Ed Christman, *Dept. of Justice Sends Doc Requests, Investigating UMPG, Sony/ATV, BMI and ASCAP over Possible Coordination*, BILLBOARD MAGAZINE (July 13, 2014), http://www.billboard.com/biz/articles/news/publishing/6157513/dept-of-justice-sends-doc-requests-investigating-umpg-sonyatv.

[8] *See, e.g.*, Rao, *infra* note 13.

own compositions that would otherwise be made available at ASCAP and BMI.

In 2013, Sony/ATV actually negotiated a direct deal with Pandora with a 5% composite royalty (or 2.28% for the ASCAP share);[9] the composite is about 25% above the four percent royalty that Pandora paid for catalog in 2013.[10] For its part, UMPG came to negotiate a 7.5 % composite royalty (or 3.42% prorated) in a subsequent deal.[11]

While accommodating these rates with Sony/ATV and UMPG in order to avoid immediate copyright infringement, Pandora contended nonetheless that the practice of partial withdrawal was disallowed by both Consent Decrees. Both the ASCAP and BMI Rate Courts came to agree with Pandora that ASCAP and BMI representation was "all or none." That is, music publishers could not partially withdraw works from either catalog under the terms of the present Consent Decrees.[12] Music publishers now press on, as Sony/ATV has vowed to withdraw its works entirely if partial withdrawal is not permitted.[13]

With regard to the rates themselves, Judge Denise Cote of the ASCAP Rate Court also later issued a decision in March 2014, which ruled that the Sony and UMPG rates were not suitable free market standards for a benchmark in Rate Court.[14] In Judge Cote's view, Pandora had come to the UMPG license under some legal duress in order to avoid immediate copyright infringement.[15] Moreover, Pandora came to contract

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9 Ed Christman, *Pandora Cuts Direct Pub Deal with Universal Music Publishing (While Fighting Direct Pub Deals in Rate Court)*, BILLBOARD MAGAZINE (July 2, 2013), http://www.billboard.com/biz/articles/news/digital-and-mobile/1568819/pandora-cuts-direct-pub-deal-with-universal-music; Cheryl Beise, *Court Sets ASCAP License Rate for Music Streamed by Pandora Internet Radio*, INTELLECTUAL PROPERTY LAW DAILY, (Mar. 20, 2014), http://www.dailyreportingsuite.com/ip/news/court_sets_ascap_license_rate_for_music_streamed_by_pandora_internet_radio.

10 Pandora Media, Inc., Form 10-KT, at 23 (Feb. 2014), https://www.sec.gov/Archives/edgar/data/1230276/000104746914000909/a2218261z10-kt.htm.

11 Beise, *supra* note 9.

12 Paul Fakler, *ASCAP Court Rules for Pandora: Music Publishers Cannot Partially Withdraw Songs From ASCAP Catalog for Only Certain Users*, TITLE 17: THE S(C)ITE FOR COPYRIGHT LAW (Sept. 13, 2013), http://title17.net/archives/353; Ed Christman, *Pandora Faces Setback as Judge Rules Blanket License Doesn't Include Songs of Publishers Leaving BMI*, BILLBOARDBIZ (Dec. 18, 2013), http://www.billboard.com/biz/articles/news/5840364/pandora-faces-setback-as-judge-rules-blanket-license-doesnt-include-songs.

13 Nate Rao, *Sony/ATV Threatens Withdrawal from ASCAP, BMI*, THE TENNESSEAN (July 15, 2014), http://www.tennessean.com/story/money/industries/music/2014/07/14/sonyatv-threatens-withdrawal-ascap-bmi/12641505.

14 *See In re* Petition of Pandora Media, Inc., No. 12-cv-08035 (S.D.N.Y. Mar. 14, 2014), *available at* http://title17.net/archives/380.

15 *Id.* at 72.

with Sony only after both Sony and ASCAP refused to itemize the catalog that Pandora would have used to remove works from its service.[16]

In the same decision, Judge Cote rather affixed a lower 1.85% royalty fee for the blanket fee for the ASCAP catalog. This amount was based on an experimental license established in 2005 and deployed subsequently in 2011–12 in a negotiated deal between ASCAP and EMI Music Publishing.[17] Moreover, the Judge raised questions of coordinated practices involving ASCAP, BMI, Sony, and UMPG that the Justice Department is now investigating.[18]

III. UNDERSTANDING ECONOMIC EFFICIENCY

For its part, the Justice Department opened a new consideration of its Consent Decree, with partial withdrawal a critical concern.[19] Presuming that the Antitrust Division can resolve recent anti-competitive concerns that Judge Cote raised, I suggest that the Department move along the following path.

First, whatever the immediate factual context before recent happenings involving Pandora's streaming service, the Department should recognize that some market rates yet might actually be lower outside of the Rate Court process. As a case in point, subscription service provider DMX successfully established (after administrative adjustments) free market valuations of the entire ASCAP and BMI catalogs at $10.74 and $10.25 per service location at DMX. Based on previous licensing outcomes in Rate Court, ASCAP and BMI respectively sought to implement market valuations of $41.21 and $36.36. Upheld by the Second Circuit, both Rate Courts upheld DMX's valuations and compelled each PRO to license DMX and other similarly situated music services at the free market rate (subject to additional adjustments for minimum fees and carve-outs that worked in DMX's favor.)[20] Consequently, a commitment to partial withdrawal does not necessarily impose higher rates.

Pricing in the market of music licensing is evidently a "zero-sum game"; e.g., higher royalty rates benefit ASCAP but hurt Pandora. There is no discernible improvement in the allocation of static resources (the

16 *Id.* at 60.

17 *Id.* at 92.

18 *Id.* at 97.

19 *Antitrust Division Opens Review of ASCAP and BMI Consent Decrees*, UNITED STATES DEPARTMENT OF JUSTICE, http://www.justice.gov/atr/cases/ascap-bmi-decree-review.html (last visited Dec. 6, 2013).

20 *Broadcast Music, Inc. v. DMX Inc.; American Society of Computers, Authors and Publishers v. THP Capstar Acquisition Corp., No. 10-3429-cv (2d Cir.)*, JUSTIA US LAW, http://law.justia.com/cases/federal/appellate-courts/ca2/10-3429/10-3429-2012-06-13.html (last visited Dec. 6, 2014).

standard textbook measure of economic efficiency) that higher or lower prices may produce. Moreover, there is no factual evidence that supports the possibility that more musical works would be forthcoming if royalty rates were higher (a dynamic conception often termed Schumpeterian). However, economic efficiency does not stop at market prices and royalty rates. Markets may promote efficient contracting and reorganization in several additional dimensions.

IV. BILATERAL CONTRACTING

First, bilateral contracting between music publishers and service providers presents an improved system for accommodating mutual concerns, balancing risks, and promoting market adaptation. This seems intuitive enough. Music publishers and service providers in a flexible market may more fully learn in the negotiation process what issues are specific to one another's position. Through communication and negotiation, the engaged parties have the opportunity for mutual accommodation. A "win-win" outcome seems less apparent in Rate Court disputes where parties engage on rights for entire catalogs of works, largely with concern to rates.

In bilateral engagement, music publishers and their licensees may come to deploy in each contract a slate of instruments — e.g., sales dollars, number of plays, number of subscribers, and advertising revenues — in a manner that can more effectively promote growth and balance risks between one another. In this regard, the menu of contract instruments may also include advances, options, or equity shares, inter alia. *Contract flexibility* is now found in the recording industry, where labels and artists have come to negotiate "360 deals" that share revenues from product sales, royalties, concerts, and merchandise, to varying levels in each.[21]

Multi-level monetization in "360 arrangements" protects the label from the *risk of fluctuations* in product sales now affected by online infringement, album disintermediation, and migration to subscriptions. It also gives the label more *incentive to invest* in many activities — e.g., video design and tour promotion — knowing that a direct share of the resulting publishing and concert revenues will be recouped along with record sales.

This aspect of the record industry is entirely bilateral and market-driven; there is no higher level of government oversight of artist and label in the arrangement. It is critical to allow music publishers the same flexibility to vary their agreements as circumstances may fit; one size should not fit all. One publisher may seek to generate more cash flow with a

[21] WIKIPEDIA, *360 deal*, http://en.wikipedia.org/wiki/360_deal (last visited Dec. 6, 2014).

negotiated advance,[22] a second may prefer a revenue balance that involves number of plays, advertising, and/or subscriptions,[23] while a third may seek long term growth and acquisition potential with a percentage equity share in the music service.

The third item — equity share — is particularly interesting. Record labels now have an 18% share in Spotify.

> The shift is a result of some re-engineering by the major labels on how they profit from streaming services. In the older model, labels focused more on large, upfront guarantees in exchange for the rights to use their valuable catalogs . . . [A]ccording to a pair of sources close to those deals, that has shifted considerably over the past few years. "[The big recording labels] decided they want equity more than payments, because there's a market [for acquisition] now . . . .[24]

Secondly, parties to a contract may more broadly promote growth and share market risks if they can make some portion of payments *contingent* upon the achievement of certain revenue targets or circumstances. For example, a percent pureplay streaming royalty may vary depending on whether the listener comes to buy the track, view an advertisement, or sign up for a subscription service. Moreover, if compulsory licensing of musical compositions can be relaxed for publisher royalties (per 17 U.S.C §115), the payment terms for mechanical royalties at a download service can depend on other contingencies as well. Covered contingencies generally can be related to achievement of certain goals (i.e., incentives), or simple risk hedges against unforeseen events beyond any party's control.

Thirdly, a compelling feature of any contract with any digital service is the possible *sharing of personalized data* regarding a listener's online activity or geographic location. Depending on a listener's use profile (and willingness to share information), music publishers and service providers can jointly promote works or playlists through a digital interface. However, the powerful capabilities of interfacial organization will not be made

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[22] The music service provider DMX paid to Sony/ATV Music Publishing a royalty advance of $2.4 million and an administrative payment of $300,000 pursuant to an agreement. *See* JUSTIA US LAW, *supra* note 20.

[23] Apple iTunes Radio now compensates record labels based simultaneously on a pureplay rate per stream (13 cents per stream) and a percent of net advertising revenue (15%). The negotiated solution system differs from the formula found in 17 U.S.C. § 114, where the Copyright Royalty Board must base due payments on an "either or" system. Ed Christman, *Publishers to Get Bigger Payday from Apple Thanks to Direct Licensing Deals*, BILLBOARD MAGAZINE (June 5, 2013), http://www.billboard.com/biz/articles/news/digital-and-mobile/1565762/publishers-to-get-bigger-payday-from-apple-thanks-to-direct-licensing-deals.

[24] Paul Resnikoff, *The Major Labels Are Trying to Sell Spotify for $10 Billion, Sources Say*, DIGITAL MUSIC NEWS (June 11, 2014), http://www.digitalmusicnews.com (emphasis added).

fully effective unless the publisher can engage the service provider directly on the widest terms

Fourth, not often found in digital music, some publishers may yet come to redirect revenues by *"passing through" composition rights.* This allows the label to collect revenues from sales or licensing and subsequently compensate both publisher and artist. Pass-through licensing may be preferred if the administrative process at the label proves to be more efficient than elsewhere. Unlike digital services, pass-through licensing to record labels has always been found in physical recordings where labels have collected sales revenues and pay to publishers their contracted royalty share; publishers also license-synchronization rights to movies and videos through pass-through structures. Pass-through licensing may reemerge if publishers are freed from the licensing terms of 17 U.S.C. § 115 that often implicate actual rates or benchmarks set by the Copyright Royalty Board.

Practically speaking, contract specificity can happen only if each publisher is free to recognize its own circumstances, assert its own interests, and negotiate its own terms with any service provider. The resulting terms are efficient in the sense that participants have the opportunity to resolve issues through negotiation to the mutual benefit of both parties — i.e., "win win." It is here difficult to see how such accommodations can arise when service providers have access to the same musical works through a fallback arrangement licensed through ASCAP or BMI and channeled by a restrictive Rate Court process.

If partial withdrawal is allowed, the Department will need to put in place restrictions on a publisher's right to re-catalog its rights with ASCAP and BMI after some period. The purpose of this restriction is to prevent any strategic repositioning of catalog by removal and re-entry, possibly with favorable terms negotiated between the PRO and its publisher (to the presumed detriment of others). The most direct course of action here is a presumption of permanent withdrawal. The matter can be revisited.

V. AGENT REORGANIZATION

In addition to contract flexibility, markets allow rights holders more opportunity to realign their operations and market interfaces through flexible *self-organized agencies* that may be more administratively and transactionally efficient.[25] This is the thrust of the *new institutional economics*

[25] For the defining work on self-organization, see ELINOR OSTROM, *Governing the Commons: The Evolution of Institutions for Collective Action* (1990). Professor Ostrom received the Nobel Prize in 2009. For her acceptance lecture, see BEYOND MARKETS AND STATES: POLYCENTRIC GOVERNANCE OF COMPLEX ECONOMIC SYSTEMS (Prize Lecture, Dec. 8, 2009), *available at* http://

that understands the role of institutions in enhancing economic efficiency, and the capacity of markets in accommodating them.[26]

If unencumbered by the administration and legal domain of ASCAP and BMI, music publishers that control New Media rights may come to design or realign alternative cooperative agencies in order to negotiate licenses and administer collection and distribution of their copyright royalties. While larger publishers would predictably come to negotiate their own contracts, smaller publishers may come to negotiate rights collectively through the National Music Publishers Association (as was done with YouTube in 2012)[27] or to put in place an independent licensing agency similar to Merlin, the licensing agency of independent labels.[28]

From a vantage of scale economies owing to shared overhead costs, integrated data bases, and fewer transactions, integrated licensing of a full catalog of digital works through a collective of small publishers seems more administratively efficient than vesting ASCAP and BMI parallel roles in licensing the same collection of works through two independent interfaces that would implicate largely distinct catalogs. In addition to fully integrated New Media rights, alternative licensing interfaces would allow publishers to present to music services an additional slate of mechanical and synchronization rights, now disallowed at ASCAP and not found at BMI. There are no benefits for "mission drift"; neither ASCAP nor BMI should engage in mechanical and synchronization licensing that can be capably performed elsewhere under the roof of a specifically dedicated collecting organization.

VI. COLLECTION AND DISTRIBUTION

Whatever the outcome of new licensing arrangements, some music publishers may prefer to vest some cooperative agency with back-office roles for collection and distribution. Three options are possible.

First, the ASCAP Board has recently approved its willingness to perform back office roles of collection and distribution.[29] This is a plausible but difficult proposition. Overhead costs at ASCAP and BMI are consid-

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www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2009/ostrom_lecture.pdf.

[26] For the first defining work on the concept, see Ronald H. Coase, *The Nature of the Firm*, 4 ECONOMICA 386-405 (1937); *see also* OLIVER E. WILLIAMSON, MARKETS AND HIERARCHIES, ANALYSIS AND ANTITRUST IMPLICATIONS: A STUDY IN THE ECONOMICS OF INTERNAL ORGANIZATION (1975). Both Coase and Williamson received the Nobel Prize in Economics

[27] Press Release, NMPA, https://www.nmpa.org/media/showrelease.asp?id=201 (last visited Dec. 6, 2014).

[28] *See* MERLIN, http://www.merlinnetwork.org.

[29] *See* ASCAP Comments, *supra* note 5.

erable,[30] and well above ratios known for agencies (such as Sound Exchange) that are less engaged in litigation.[31] With fiduciary responsibilities to recover administrative costs from all members or affiliates of their respective organizations, each PRO may need to tithe from its collections an additional clip that might otherwise be avoided through an alternative arrangement.

Second, publishers may assign collection rights for performance royalties to a licensing interface of the Harry Fox Agency (e.g., Slingshot), which has acted as a publishers' administrator of mechanical and synchronization royalties. Although publishers control the copyright in the works, the publishers here would face major songwriter concerns for balanced representation and treatment in the administration of the agency and the distribution of collected royalties. A collection solution administered through Harry Fox Agency or any other publisher collective does not seem practical.

Third, publishers and songwriters may vest their trust in an independent collection agency, such as Music Reports, Inc.,[32] that has lower administration costs and the presumed ability to act as a credible fiduciary for publishers and songwriters alike. If other agency interfaces are not appropriate, this realignment is a balanced option that rights owners may wish to consider.

VII. ANTI-COMMONS AND HOLDUP

The author is aware that several critics of copyright law may voice concerns that disaggregated publisher rights may lead to an *anti-commons* for any service provider that seeks to put together rights for an entire catalog of works.[33] In an anti-commons, a provider will presumably face holdups from one or several publishers that may individually seek to extract disproportionate payments for some rights in their catalogs.

This concern is admissible, but not one for the Department of Justice to resolve. The Department is confined in its mission to enforce the nation's antitrust laws, and so oppose *coordinated actions* that are harmful to

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[30] *Id.* at 23.

[31] ASCAP has overhead ratios between 11% and 12% of collected revenues in each year. *Id.* Without the ongoing burdens of litigation costs, SoundExchange had an administrative fee of 4.5%, which it claims to be the lowest administrative fee of any major performance rights organization in the world. *See General FAQ*, SOUNDEXCHANGE, http://www.soundexchange.com/generalfaq/#sthash.dLki8Svn.dpuf (last visited Dec. 6, 2014).

[32] *See* MUSIC REPORTS, http://www.musicreports.com (last visited Dec. 8, 2014).

[33] Lydia Pallas Loren, *Untangling the Web of Music Copyrights*, 53 CASE W. RES. L. REV. 673 (2003); R. Anthony Reese, *Copyright and Internet Music Transmissions: Existing Law, Major Controversies, Possible Solutions*, 55 U. MIAMI L. REV. 237 (2001).

the market. If acting in an uncoordinated and otherwise legal fashion, any owner of intellectual property may restrict or disallow the licensing of its works to any party. Other means of restricting the anti-commons are at the government's disposal, if and when the problem arises.

VIII. CONCLUSION

If and when its present competitive concerns can be resolved, the U.S. Department of Justice should adopt the following course:

1. A category of music services should be designated "New Media." New Media services should implicate digital performance rights for musical compositions when complemented by performance rights in sound recordings, reproduction rights, synchronization rights, or cloud services.

2. Publishers should be allowed to withdraw from ASCAP and BMI catalogs all rights related to the presentation of musical compositions in New Media services. A restriction should be placed on a publisher's ability to reenter rights into a PRO catalog.

3. Large publishers may license works for New Media service directly to the service provider. Smaller publishers should be allowed to license their works through a designated licensing collective other than ASCAP or BMI.

4. Rights holders may appoint agencies for collection and distribution of royalties. ASCAP and BMI may be considered as candidates for such a role.

PART IV

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

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"). It is available on the Office's website at http://copyright.gov/comp3. The Third Edition became the governing administrative manual for registrations and recordations issued by the Office on December 22, 2014. It may be cited as follows:

- Full citation: U.S. Copyright Office, Compendium of U.S. Copyright Office Practices § 101 (3d ed. 2014).
- Short form citation: Compendium (Third) § 101.1(A).

The *Compendium* serves as a technical manual for the Office's staff, as well as a guidebook for authors, copyright licensees, practitioners, scholars, the courts, and members of the general public. More than three times the size of the previous edition, the Third Edition represents a comprehensive overhaul and makes the Office's practices and standards more accessible and transparent to the public. As in the past, it addresses fundamental principles of copyright law, such as creation, publication, registration, and renewal. It addresses routine questions such as who may file an application and who may request copies of the Office's records. It describes recent changes to the Office's recordation practices, such as the new option for submitting titles and registration numbers in electronic form. It also contains a new Table of Authorities that lists the cases, statutory provisions, and other legal authorities cited in the Third Edition and the relevant section where each citation may be found.

In the years ahead, the Copyright Office will introduce a number of public discussions regarding the application and deposit requirements for many digital works, including websites, software, photographs, e-books, audiovisual works, and musical works, many of which have multiple authors, multiple dates of creation, and multiple dates of publication. A key objective will be creating digital copyright records that are accurate, affordable, and as useful as possible when it comes to the identification of ownership and copyrighted works.

The *Compendium, Third Edition* is the result of more than two and a half years of work. Members of the public may provide feedback on the Third Edition at any time. See www.copyright.gov/comp3 for more information.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Sought Comments on Motion for Partial Distribution of 2013 Satellite Royalty Funds, 80 Fed. Reg. 7646. The Copyright Royalty Judges solicited comments on a motion by Phase I claimants for a partial (60%) distribution of 2013 satellite royalty funds under section 801(b)(3)(C) of the Copyright Act. Specifically, the judges sought to ascertain whether any claimant entitled to receive royalties has a reasonable objection that would preclude the requested distribution. Phase I claimants are the Program Suppliers and the Broadcaster, Devotional, Joint Sports, and Music Claimants. Respondents had to advise the judges of the existence and extent of their objections no later than March 13, 2015.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

U.S. Copyright Office Posts First Comments Received for Section 1201 Rulemaking; Response Comment Deadline Was March 27, 2015. On December 12, 2014, the Copyright Office 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.

The Office has posted the first round of comments — 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 – on its website at http://copyright.gov/1201/2015/comments-020615.

Responsive legal and evidentiary submissions from those who oppose the adoption of a proposed exemption were 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.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Office Releases Comprehensive Music Licensing Study. The U.S. Copyright Office has released a comprehensive study, "Copyright and the Music Marketplace," detailing the aging music licensing framework as well as the ever-evolving needs of those who create and invest in music in the twenty-first century. In addition to providing an exhaustive review of the existing system, the report makes a number of recommenda-

tions that would bring both clarity and relief to songwriters, artists, publishers, record labels, and digital delivery services.

"Few would dispute that music is culturally essential and economically important to the world we live in," said Maria A. Pallante, Register of Copyrights, "but the reality is that both music creators and the innovators who support them are increasingly doing business in legal quicksand. As this report makes clear, this state of affairs neither furthers the copyright law nor befits a nation as creative as the United States."

There is broad consensus across the music industry on a number of key points: (1) creators should be fairly compensated; (2) the licensing process should be more efficient; (3) market participants should have access to authoritative data to identify and license sound recordings and musical works; and (4) payment and usage information should be transparently available to rightsholders. But there is less agreement as to how best to move forward.

The Copyright Office's recommendations address almost every aspect of the music landscape, including the existing statutory licenses, the role of performing rights organizations, terrestrial performance rights for sound recordings, federal protection for pre-1972 sound recordings, access to music ownership data, and the concerns of songwriters and recording artists. These recommendations present a series of balanced tradeoffs designed to create a more rational music licensing system for all. The full report and executive summary are available on the Copyright Office's website at http://copyright.gov/docs/musiclicensingstudy.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Requested Comments on Proposed Royalty Rates for Digital Transmission of Sound Recordings by New Subscription Services for 2016 Through 2020, 80 Fed. Reg. 2065-67. The Copyright Royalty Judges are publishing for comment proposed regulations to set royalty rates and terms for digital transmission of sound recordings by new subscription services and for the making of ephemeral recordings to facilitate those transmissions under sections 112 and 114 of the Copyright Act. The proposed rates and terms, received in a joint motion from SoundExchange, Inc., and Sirius XM Radio, Inc., would apply to music services available on cable and satellite television for the period from January 1, 2016, through December 31, 2020. Comments were due no later than February 17, 2015. For more information, go to http://www.loc.gov/crb/fedreg.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

U.S. Copyright Office Releases Report on Document Recordation. The U.S. Copyright Office has released a report on recordation of copyright-related documents prepared by Professor Robert Brauneis of George Washington University Law School. While on sabbatical leave in 2013–14, Brauneis served as the Copyright Office's first Abraham L. Kaminstein Scholar in Residence.

Each year, authors, heirs, copyright owners, and others submit thousands of documents concerning hundreds of thousands of works to the Copyright Office for public recordation. Since 2011, the Office has been taking steps to reengineer its documents recordation system, which remains a paper-driven process. Professor Brauneis researched best practices in documents recordation and oversaw a public inquiry involving solicitation of comments, followed by roundtables in California and New York.

The report Professor Brauneis submitted to the Register of Copyrights advises the Copyright Office to build an electronic recordation system to parallel its registration system, a process that has already begun. To inform development of electronic recordation, the report analyzes issues such as how to allocate responsibility for providing document cataloging information, how best to store and make available electronic documents, and how to accept and authenticate electronic signatures. The report also analyzes historical trends in document recordation, including increased use of security interests in copyrights in financial transactions. The report is available on the Copyright Office's website at http://copyright.gov/docs/recordation.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Requested Comments on Distribution of 2013 Cable and Satellite Royalty Funds, 79 Fed. Reg. 76,396-97. The Copyright Royalty Judges requested comments regarding whether controversies exist among claimants to 2013 cable and satellite retransmission royalty funds about how the funds should be distributed. Comments were due by January 21, 2015.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Announced Commencement of Proceedings to Determine Distribution of 2010, 2011, and 2012 Cable And Satellite Royalties, 79 Fed. Reg. 78,396-97. The Copyright Royalty Judges announced the commencement of proceedings to determine distribution of 2010, 2011, and 2012 royalties deposited under the cable and satellite statutory licenses. Those who wished to participate in either or both the Phase I or

the Phase II cable royalty proceeding needed to submit a single petition and a filing fee by January 21, 2015. Similarly, those who wished to participate in either or both the Phase I or the Phase II satellite royalty proceeding had to submit a single petition and a filing fee by January 21, 2015. Any party who failed to file a petition by January 21 shall not participate at any stage in either proceeding.

PART V

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

Part I of volume 62, Issue 2, begins with *The Interstices of Copyright Law and Contract Law II: Finding the Terms of an Implied Nonexclusive License in the Absence of Joint Authorship* by Professor Scott J. Burnham of Gonzaga University School of Law. In his article, the professor begins by stating: "there is little reliable guidance to determine whether a work is a joint work or not." The article then examines the prevailing views on how to make this determination and asks whether the principles of contract law should be used for this purpose. Professor Burnham concludes: "It is my hope that application of principles of contract law will make that determination more efficient and more intellectually satisfying."

The next article, *Joint Authorship in Comparative Perspective:* Levy v. Rutley *and Divergence Between the UK and USA* is by Elena Cooper, a research fellow at the University of Glasgow. Her article begins with a discussion of the 1871 English joint-authorship case, *Levy v. Rutley* and other nineteenth-century authorship and ownership decisions, explaining, "how and why differences emerged between UK and U.S. approaches to joint authorship during the course of the twentieth century." The article notes that in the U.S., courts continue to use *Levy* to "shape the substance of aspects of joint authorship doctrine," while in the UK, courts view the case as "authority for the irrelevance of intention to the UK test of joint authorship." The author concludes: "Accordingly, rather than promoting convergence, the comparative historical research in this article in fact may go some way to contribute to a way of thinking that results in further fracture in the common law world . . . ."

The first-sale doctrine is the subject of the third article, *How Should the American First-Sale Doctrine Be Developed in Light of New Digital Distribution Technologies for Copyrighted Works? A Critical Evaluation of the Extent of and Justifications for Authors' Exclusive Distribution Rights in Second-Hand Markets for Digital Works in the United States* by Sofia Ritala. Her article discusses the creation of the doctrine, the feasibility of applying it to digital distribution, and the legal issues that would arise from such an application. As to whether the first-sale doctrine should be applied here, she concludes that analysis shows, "that extending it to the digital context is not preferable from the point of view of the [Copyright] Clause."

The difficult issue of similarity in music lyrics is the subject of attorney Nicholas Tsui's article, *How Similar Is Too Similar: The Predictability of Court Decisions in Musical Lyrics Copyright Cases*, which includes nu-

merous charts, graphs and data analysis. In his study, the author "examined the consistency of the ordinary observer test in determining how similar was too similar." He found that "[d]espite the various ways in which different courts have interpreted how to implement this test . . . the similarity judgments in courts throughout the country were actually quite consistent." He concludes that: "court decisions across the country have nevertheless grown consistent and predictable over time." He adds that his proposal of an analysis consisting of a simple comparison of the number of overlapping words, phrases, and lines "confirmed that this approach accurately predicted outcomes over 90% of the time, regardless of which legal test the court technically used."

The final article in Issue 2, *Rules for Denying Copyright Permanent Injunctions in China: Fog Needs to Be Cleared* is by Professor Guangliang Zhang of Renmin University of China Law School. It maintains that the current judicial policy for denying permanent injunctions in Chinese copyright cases is rather ambiguous, and that clear and uniform rules need to be codified in the third amendment to China's Copyright Law. The author concludes that: "the granting of a permanent injunction should not be automatic, but rather should be petitioned for by the copyright holder."

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

As always, your comments and suggestions are welcome.

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PART I

ARTICLES

THE INTERSTICES OF COPYRIGHT LAW AND CONTRACT LAW II: FINDING THE TERMS OF AN IMPLIED NONEXCLUSIVE LICENSE IN THE ABSENCE OF JOINT AUTHORSHIP

by SCOTT J. BURNHAM*

> In order to constitute a joint authorship of a dramatic piece or other literary work, it must be the result of a preconcerted joint design. Mere alterations, additions, or improvements by another person, whether with or without the sanction of the author, will not entitle such other person to claim to be "joint author" of the work.
>
> —Levy v. Rutley (1871)[1]

I. INTRODUCTION

According to the Copyright Act,[2] initial ownership of a copyrightable work vests in either a sole author, more than one author in the case of a joint work, or the employer or other person for whom the work was prepared in the case of a work made for hire.[3]

In an earlier article, I explored the problem that arises when one party — whom I called the hiring party — commissions a work from another party — whom I called the hired party. The hiring party may expect to own the copyright in the work because the hired party was hired as an independent contractor, but under the counter-intuitive definition of "work made for hire" in the Act, the work usually turns out not to be a work made for hire. In that event, the hired party is the sole author of the work. The question then becomes: If the hired party is the copyright owner, what rights does the hiring party have to use the work?[4]

The article argued that in the absence of a written agreement addressing the issue, under contract law principles, the hired party as copyright owner has granted the hiring party an implied nonexclusive license to use the work. The scope of that license can be deduced from the facts and circumstances using principles of contract law. The article suggested that courts apply a use test, under which the hiring party will be granted an implied nonexclusive license when the facts and circumstances indicate

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1 L.R. 6 C.P. 523, 523 (Eng.). The statement is made in the Analysis.

2 17 U.S.C. § 101 et seq. (2012) [hereinafter referred to as "the Act"].

3 *Id.* § 201(a).

4 Scott J. Burnham, *The Interstices of Copyright Law and Contract Law: Finding the Terms of an Implied Nonexclusive License in a Failed Work for Hire Agreement*, 46 J. COPYRIGHT SOC'Y 333 (1999).

that the hiring party intended to use the work.[5] The scope of that license is limited to the use reasonably contemplated.[6]

This article explores a similar problem that arises when one party — whom we will call the secondary party — contributes to the work of another party — whom we will call the primary party — and claims that a joint work has been created. In the problematic cases, the contribution of the secondary party is usually made temporally after the primary party has largely completed the work, and spatially usually consists of a small part of the completed work. We will explore the following hypothetical examples:

- the author of a book or play (primary author) submits the work to an editor or dramaturg (secondary author) who reworks it, creating additional dialogue or scenes
- the author of a computer program (primary author) invites another programmer (secondary author) to write some of the code
- a client (secondary author) makes suggestions to an architectural firm (primary author) that are incorporated into the plans for the building

Thanks to the guidance provided by the Supreme Court in *Community for Creative Non-Violence v. Reid*,[7] it is not difficult to determine whether a work is a work made for hire or not. However, there is little reliable guidance to determine whether a work is a joint work or not. The prevailing views used to make this determination are reviewed in Part II, followed by the suggestion in Part III that principles of contract law should be used to determine whether the work is a joint work.

If the work is determined not to be a joint work, we then reach the issue that courts have rarely explored. If the primary party has incorporated into the work material in which the secondary party is entitled to copyright protection, then what rights does the primary party have to use the copyrightable material? Part IV of this article argues that the situation is analogous to the relationship between the hiring party and the hired party under a failed work for hire agreement, and the secondary party has granted the primary party an implied nonexclusive license to use the work. Principles of contract law will again be used to determine the scope of that license. Part V discusses the opinion of the three-judge panel in *Garcia v. Google*, a case that touches on the issue of whether a secondary party grants the primary party an implied nonexclusive license to use the work.

In order to analyze this problem, we will first look at how it is affected by the determination as to whether a work is a joint work.

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[5] *Id.* Part III.

[6] *Id.* Part IV.

[7] 490 U.S. 730 (1989).

II. JOINT WORK

Section 201(a) of the Act provides for initial ownership of a work, stating that it can vest in more than one author:

> **(a) Initial Ownership** – Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a joint work are coowners of copyright in the work.

Two authors may work together in many different ways. The problem of whether the two parties have created a joint work rarely arises when two parties initially agree to create the work together and make substantial copyrightable contributions.[8] This is the situation described in *Levy v. Rutley* as "a preconcerted joint design."[9] This situation neatly fits the statutory definition of "joint work" found in § 101: "A 'joint work' is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."[10]

Although problems may arise when the authors contribute what the definition calls "interdependent" parts, like the words and music to a song, these problems differ from those that arise in the situation addressed in this article.[11] The problem under discussion generally arises when the secondary party contributes to the work of the primary party what the definition calls an "inseparable" part of that work.

Analysis of the problem begins with the use of the term "joint work" in the Act. The term is used only four times, and for our purposes the most significant use is found in § 201(a). Substituting the definition for the defined term, we get:

> **(a) Initial Ownership** – Copyright in a work protected under this title vests initially in the author or authors of the work. The authors of a [work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole] are coowners of copyright in the work.

If we take this definition as complete on its face, we would have to conclude that each of our hypothetical situations results in a joint work, for there is no doubt that in each case the authors intended "that their contributions be merged into inseparable . . . parts of a unitary whole." Yet

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8 I recall reading that the wife of Frederick Loewe of Lerner & Loewe fame was asked if her husband had written *I Could Have Danced All Night*. "No," she responded. "My husband wrote 'Dah dah dah DEE dah dah.'"

9 6 L.R.C.P. 523, 528 (Eng. 1871).

10 17 U.S.C. § 101 (2012) (definition of "joint work").

11 MELVILLE B. NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 6.03 (2014).

courts have generally concluded that a joint work has not been created in these situations.

There are a number of reasons why courts are reluctant to conclude that the resulting work is a joint work. The primary reason is that each party to a joint work has presumptively made an equal contribution.[12] As co-owners, each party has a nonexclusive license to exploit the work, subject only to the duty to account to the other.[13] Other consequences of a finding of a joint work that are expressly addressed in the Act are that the duration of copyright in a joint work is measured by the lifetime of the last surviving author,[14] and that each author has the "moral rights" of attribution and integrity.[15]

To prevent the secondary party who has made a minimal contribution to the work from having such broad rights, the court must come to the conclusion that the work is not a joint work. As with much result-oriented reasoning, the results are generally inconsistent and unsatisfactory. Goldstein argues that the literal language of the Act should be followed in the interest of consistency and predictability.[16] But the price paid for that consistency may be too high. Perhaps a more just but intellectually honest solution can be reached through the application of principles of contract law.

The parties could have resolved the issue by express contract, but of course the litigated cases arise because they did not. Curiously, in the late 1980s, Congress considered a bill that would have required a written contract to create joint authorship, just as the definition of "work made for hire" requires a written agreement to create a work made for hire outside the employment situation.[17] This would have made the identification of a joint work easy where the parties made such an agreement, but would have caused significant problems where they did not.[18] Nevertheless, the parties do generally have a contract, albeit one that is silent on the issue of ownership of the copyright. Part III of this article suggests approaching the issue by supplying the contract terms reasonable parties would have drafted in the situation.

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12 *Id.* § 6.08.

13 PAUL GOLDSTEIN, GOLDSTEIN ON COPYRIGHT § 4.2 (2014).

14 17 U.S.C. § 302(a) (2012).

15 *Id.* § 106A. The final express reference to joint work in the Act, the right of termination of a grant, is extended by a finding that a work is a joint work only to the extent that an additional person my terminate it. *Id.* § 203(a)(1).

16 GOLDSTEIN, *supra* note 13, § 4.2.1.

17 17 U.S.C. § 101 (2012) (definition of "work made for hire"); *see* Therese M. Brady, *Manifest Intent and Copyrightability: The Destiny of Joint Authorship*, 17 FORDHAM URB. L.J. 257, 276 (1989).

18 During the hearings, the Register of Copyrights pointed out that this would leave in limbo works created pursuant to an oral agreement. *Id.* n.128.

In the absence of an express contract establishing the ownership of the copyright in the work, courts generally take two approaches to finding that there is not a joint work — they find that the secondary party's contribution is not copyrightable, or they find that the intent element required by the statute is missing. The leading modern case analyzing the issue, *Childress v. Taylor*,[19] proposed a two-part test: "A co-authorship claimant bears the burden of establishing that each of the putative co-authors (1) made independently copyrightable contributions to the work; and (2) fully intended to be co-authors."[20] We will next examine each prong of this test.

A. Copyrightability

As a practical matter, courts have found the copyrightability test useful because it enables them to determine that a work is not a joint work because the secondary party's contribution to the work was not copyrightable. The case of *Erickson v. Trinity Theatre, Inc.*,[21] in which actors who contributed suggestions to a playwright claimed that the resulting play was a joint work, is useful for its thoughtful discussion of this issue. As discussed in *Erickson*, the different views have been laid out by the writers of the two major copyright treatises, *Nimmer* and *Goldstein*.

Nimmer argues that the contribution of the secondary party does not have to be copyrightable.[22] His "collaboration" test would require one of the parties to make a contribution that was more than de minimis but not necessarily independently copyrightable. One party, for example, might provide ideas or factual research, neither of which is protected by copyright, while the other party provided the expression that was based on those ideas and incorporated those facts. Nimmer's test has not yet been the basis for a court decision, though Judge Posner clearly supported it in dicta in *Gaiman v. McFarlane*:[23]

> The decisions that say, rightly in the generality of cases, that each contributor to a joint work must make a contribution that if it stood alone would be copyrightable weren't thinking of the case in which it *couldn't* stand alone because of the nature of the particular creative process that had produced it.
>
> Here is a typical case from academe. One professor has brilliant ideas but can't write; another is an excellent writer, but his ideas are commonplace. So they collaborate on an academic article, one contributing the ideas, which are not copyrightable, and the other the prose envelope, and

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19 945 F.2d 500 (2d Cir. 1991).

20 Thomson v. Larson, 147 F.3d 195, 200 (2d Cir. 1998) (citing Childress v. Taylor, 945 F.2d 500, 507-08 (2d Cir. 1991)).

21 13 F.3d 1061 (7th Cir. 1994).

22 NIMMER & NIMMER, *supra* note 11, § 6.07.

23 360 F.2d 644, 659 (2004).

> unlike the situation in the superficially similar case of *Balkin v. Wilson*, 863 F.Supp. 523 (W.D.Mich.1994), they sign as coauthors. Their intent to be the joint owners of the copyright in the article would be plain, and that should be enough to constitute them joint authors within the meaning of 17 U.S.C. § 201(a). This is the valid core of the Nimmers' heretical suggestion that "if authors *A* and *B* work in collaboration, but *A*'s contribution is limited to plot ideas that standing alone would not be copyrightable, and *B* weaves the ideas into a completed literary expression, it would seem that *A* and *B* are joint authors of the resulting work." 1 Nimmer & Nimmer, *supra*, § 6.07, p. 6-23; see also 1 Patry, *supra*, at 365-66.[24]

Professor Goldstein, on the other hand, takes the point of view that the secondary author's contribution must be copyrightable. The *Erickson* court stated the "copyrightability" test as follows:

> According to Professor Goldstein, "[a] collaborative contribution will not produce a joint work, and a contributor will not obtain a co-ownership interest, unless the contribution represents original expression that could stand on its own as the subject matter of copyright." Paul Goldstein, *Copyright: Principles, Law, and Practice* § 4.2.1.2, at 379 (1989).[25]

The copyrightability test has logic on its side. The definition of "joint work" does not refer to one or more "collaborators" but to one or more "authors." To be the author of a joint work, therefore, one must first be an author. Even though the Act does not define the word *author*, the use of the word in the cited definitions in § 101 and in the duration provision of § 302(b) suggests that each collaborator's contribution must be a copyrightable "work of authorship" within the meaning of § 102(a).[26]

The issue was analyzed in *Brown v. Flowers*,[27] where the majority dismissed the complaint on procedural grounds because the plaintiff had alleged only that he "acted as a recording engineer and producer of the songs at issue" while the defendant was the predominant composer and lyricist. The majority assumed that a recording engineer could not be the

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24 *Id.*

25 13 F.3d 1061, 1070 (7th Cir. 1994).

26 Edward Valachovic, *The Contribution Requirement to a Joint Work under the Copyright Act*, 12 LOY. L.A. ENT. L. REV. 199 (1992), argues that the "contribution" under the statute "need not fulfill the requirements of a 'work' in order to be considered a contribution under the Act." *Id.* at 213. Valachovic makes the interesting point that if the contributions to the joint work are "inseparable," then why are we dissecting the contributions to see if they are copyrightable? *Id.* at 215. But the answer may be that they are inseparable for one purpose but not for another purpose. The fact that they are inseparable supports the argument in Part IV *infra* that the secondary party grants an implied nonexclusive license to the primary party, for there will often be no use for the secondary party's work other than as a part of the primary party's work.

27 196 F. App'x 178 (4th Cir. 2006).

author of a copyrightable work. A strong dissent would have found that language sufficient to allege that the plaintiff had made a copyrightable contribution. Agreeing with the Nimmer point of view, the dissent would have found the engineer to be an author, because, as defined in *Webster's Third International Dictionary*, "'author' merely refers to a person 'who is the source of some form of intellectual or creative work.'"[28]

As a contract matter, perhaps the collaborative view has some support. If a joint work results from a contractual arrangement, and each party must provide consideration to support that contract, why does the consideration have to be a copyrightable contribution? One answer may be found by considering the duration of a joint work. While the duration of copyright in the work of a sole author is measured by the lifetime of the author, the duration of a joint work is measured by the lifetime of the last surviving author.[29] I could ask for a contribution from my grandchild, make him a joint author, and likely extend the duration of copyright by some 50 years. This would appear to be a fraud on the public, which already has to wait what seems an eternity for works to fall into the public domain. It would be especially outrageous if the contribution were not even protectable by copyright.

Contract law has a better solution to this problem. If one party has not made a copyrightable contribution to the work, the other party is nevertheless free to make that party a co-owner by contract, since creation of a joint work is only one route to being a co-owner. For example, having authored a work, I am free to assign it to myself and my grandchild as co-owners. We would have all the rights of authors of a joint work, but we would not have the benefit of extended duration.[30]

Resolution of the copyrightability issue has a significant effect on our ultimate problem, which is to determine the rights of the primary party to use the work of the secondary party once the work is determined not to be a joint work. If the court finds that the work is not a joint work because the contribution of the secondary party is not copyrightable, then the court will not raise this issue. The secondary author can license only a copyrightable work. Thus, the issue will arise only if the work contributed by the secondary party is copyrightable and there is a determination that there is not a joint work on the basis of intent.

In support of his copyrightability theory, Goldstein's treatise lists a number of cases supporting his assertion that courts are not likely to find that a work is a joint work when the secondary author has made only a

[28] *Id.* at 187 (Gregory, J., dissenting).

[29] 17 U.S.C. § 302(b) (2012).

[30] A good example of such a co-ownership agreement appears in *Oddo v. Ries*, 743 F.2d 630 (9th Cir. 1984), where one party provided capital and supervised the business while the other party wrote the book.

small contribution to the work of the primary party. But most of these cases are resolved not on the basis of copyrightability but on the basis of intent.[31] That leads us to the next prong of joint work analysis — intent.

B. Intent

The second part of the *Childress* test for joint authorship is intent. Recall that the statutory definition refers to "the intention that their [the authors'] contributions be merged into inseparable or interdependent parts of a unitary whole." The statute does not require that the authors intend joint authorship — it only requires that they intend to merge their contributions into a whole. As indicated earlier, if this were the only test of intent, then it would be easy to find that a work was a joint work, for the primary author virtually always intends to merge the contribution of the secondary author with his or her own contribution. Courts therefore, have regarded the statutory requirement as necessary but not sufficient to find the intent to create a joint work.

The *Childress* court, for example, looked at the intent to create a joint work by examining what each party subjectively intended, stating, "[b]ut he [the trial judge] properly insisted that they entertain in their minds the concept of joint authorship, whether or not they understood precisely the legal consequences of that relationship."

Like the reasoning of most courts on intent, the analysis in *Childress* resulted in a failure to find intent, for "[t]hat equal sharing of rights should be reserved for relationships in which all participants fully intend to be joint authors." But that reasoning is not helpful. Of course the primary author is going to say that he or she did not intend to be a joint author, while the secondary author is going to say the opposite. As contract law has taught us, the search for a subjective intent is futile.

The search for a subjective intent of both parties sounds very much like the discredited "meeting of the minds" that many judges state is necessary for contract formation. But having said that a contract requires a meeting of the minds, those courts then look at the objective manifestations of the parties in order to determine whether a contract was formed.[32]

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[31] *See* GOLDSTEIN, *supra* note 13, § 4.2.1 n.25 (citing Eckert v. Hurley Chicago Co., 638 F. Supp. 699, 704 (N.D. Ill. 1986); Picture Music, Inc. v. Bourne, Inc., 314 F. Supp. 640, 647 (S.D.N.Y. 1970), *aff'd on other grounds*, 457 F.2d 1213 (2d Cir. 1972), *cert. denied*, 409 U.S. 997 (1972); Kenbroke Fabrics, Inc. v. Material Things, 223 U.S.P.Q. 1039, 1044-45 (S.D.N.Y. 1984). An exception is *Fishing Concepts, Inc. v. Ross*, 226 U.S.P.Q. 692 (D. Minn. 1985) (contributor of 5-10% of the text held to be a joint author).

[32] *See* E. ALLAN FARNSWORTH, CONTRACTS § 3.6 (4th ed. 2004). "Discussion of this topic would be improved if this metaphor were abandoned." *Id.* n.2. *See also* Judge Posner's discussion in Colfax Envelope Corp. v. Local No. 458-3M, 20 F.3d 750 (7th Cir. 1994) (in which he states, "So a literal meeting

Similarly, the *Childress* court, while professing to look for the intent that was subjectively entertained by the parties, actually looked for the objective manifestations of that intent, though it used that evidence to support a conclusion rather than to reach one.

The court supported its conclusion with the kind of objective evidence that should have been used to reach the conclusion: the factual background, the contract negotiations, and views expressed by the parties. On the issue of attribution, for example, the court stated:

> Though joint authorship does not require an understanding by the co-authors of the legal consequences of their relationship, obviously some distinguishing characteristic of the relationship must be understood in order for it to be the subject of their intent. In many instances, a useful test will be whether, in the absence of contractual agreements concerning listed authorship, each participant intended that all would be identified as co-authors.

The *Childress* analysis was reaffirmed by the Second Circuit in *Thomson v. Larson*,[33] the case involving the plaintiff dramaturg's contributions to the defendant's musical, *Rent*. On the first prong of the *Childress* test — independently copyrightable contributions — the trial court did not make a ruling, for it found that the second prong was determinative. Nevertheless, the trial court strongly suggested that the contribution was sufficient to be copyrightable, as indicated in a footnote in the appellate court opinion:

> Judge Kaplan stated that "there are lines in *Rent* that originated verbatim with Ms. Thomson. I don't think they amount to 9 percent, and certainly not zero. There is probably enough there that it is not *de minimis*."[34]

On the second prong, intent, the *Thomson* court, perhaps realizing that the *Childress* court had given too much weight to the subjective view, looked at "factual indicia of ownership and authorship" in order to ascertain the intent. Reviewing the district court's findings, it stated:

> Beside relying on evidence that Larson retained decisionmaking authority over the final work, that he was billed as sole author, and that he entered into written agreements with third parties as sole author, the district court found much other evidence that indicated a lack of intent on Larson's part to make Thomson a co-author.[35]

Curiously, because it found that Larson's intent was not to create a joint work, the court did not look at Thomson's intent:

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of the minds is not required for an enforceable contract, which is fortunate, since courts are not renowned as mind readers."). *Id.* at 752.

33 147 F.3d 195 (2d Cir. 1998).

34 *Id.* at 200-01 n.14.

35 *Id.* at 204.

> Because we affirm the district court's conclusion that Larson lacked co-authorship intent, we too will refrain from addressing Ms. Thomson's intent, except as it may seem to bear on Larson's.[36]

The Ninth Circuit did a better job than the Second Circuit in analyzing the issue of intent to create a joint work from an objective rather than a subjective point of view. In *Aalmuhammed v. Lee*,[37] the plaintiff claimed to be a joint author of Spike Lee's movie *Malcolm X* because Lee had used many cultural details Aalmuhammed had supplied at Lee's request. The court acknowledged that its analysis differed from that of the Second Circuit in *Childress* and *Thomson*, but "the practical results they reach are consistent with ours."[38] The court focused on the concept of the "author," noting that while a person may be the author of the expression the person contributed, that does not make the contributor the author of the joint work since "[a] creative contribution does not suffice to establish authorship of the movie."[39] Drawing on those cases, the court stated that "several factors suggest themselves as among the criteria for joint authorship, in the absence of contract."[40] Like other courts, when the court referred to the "absence of contract," it must have meant the absence of an express *written* contract, for there is usually a contract between the parties, albeit an incomplete contract.

To make its determination regarding intent to create a joint work, the court looked at a number of objective factors rather than any subjective intent:

> First, an author "superintend[s]" the work by exercising control. This will likely be a person "who has actually formed the picture by putting the persons in position, and arranging the place where the people are to be-the man who is the effective cause of that," or "the inventive or master mind" who "creates, or gives effect to the idea." Second, putative coauthors make objective manifestations of a shared intent to be coauthors, as by denoting the authorship of *The Pirates of Penzance* as "Gilbert and Sullivan." We say objective manifestations because, were the mutual intent to be determined by subjective intent, it could become an instrument of fraud, were one coauthor to hide from the other an intention to take sole credit for the work. Third, the audience appeal of the work turns on both contributions and "the share of each in its success cannot be appraised." Control in many cases will be the most important factor.[41]

It is interesting that the court used the term "objective manifestations," to describe the factors, for that is exactly the term that courts that eschew the phrase "meeting of the minds" use in contract cases to determine the in-

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36 *Id.* at 202 n.20.
37 202 F.3d 1227 (9th Cir. 2000).
38 *Id.* at 1234.
39 *Id.* at 1233.
40 *Id.* at 1234.
41 *Id.* (footnotes omitted).

tent of the parties to form a contract.[42] Like other courts, the *Aalmuhammed* court recognized that this case involved a primary party, which it called the "mastermind," who contributed the bulk of the work, and a subordinate party who contributed to the primary party's efforts. Applying those factors to the facts of the case, the court concluded that the work was not a joint work.

We will now explore a better approach for courts to take to discover the intent of the parties in the absence of express contractual arrangements.

III. CONTRACT

As previously noted, Goldstein would find that a work is a joint work more readily than most courts, although he admits that the price may be high for the primary author to pay. He argues that "although this approach will sometimes give an economic interest to a contributor, such as an editor, who probably did not intend to receive it, the parties can easily resolve the misallocation by contract between them allocating full ownership rights to the intended recipient . . . ."[43] Similarly, the *Childress* court lamented the absence of a contract that allocated the rights.[44]

But these authorities overlook the obvious — there *was* a contract between the parties in *Childress* and in *Thomson*, as indeed there almost always is when one party consents to the incorporation in her work of the work of another party. The parties do not designate their agreement a "joint work agreement," nor do they expressly address their understanding on authorship. Essentially, they make an agreement that one party will

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42 *See, e.g.*, Miller v. Walter, 527 P.2d 240 (Mont. 1974). "The Bank's contention that there could be no guaranty because the Bank did not intend the letter to be a guaranty and thus there was no meeting of the minds is without merit. The mutual assent essential to the formation of a contract, in this case a contract of guaranty, must be gathered from the outward objective manifestations of the parties and not by the subjective undisclosed intent of one of the parties." *Id.* at 243.

43 Goldstein, *supra* note 13, § 4.2.1.

44 945 F.2d at 507. The court stated:

> In the absence of contract, the copyright remains with the one or more persons who created copyrightable material. Contract law enables a person to hire another to create a copyrightable work, and the copyright law will recognize the employer as "author." 17 U.S.C. § 201(b). Similarly, the person with non-copyrightable material who proposes to join forces with a skilled writer to produce a copyrightable work is free to make a contract to disclose his or her material in return for assignment of part ownership of the resulting copyright. *Id.* § 201(d). And, as with all contract matters, the parties may minimize subsequent disputes by formalizing their agreement in a written contract.

Id.

make a contribution to the work and the other party will pay for it or otherwise acknowledge it. Instead of lamenting that the parties omitted terms from their contract, the courts should do what contract law does in the case of an incomplete agreement — it fills in the gaps. To complete the terms of an incomplete contract, contract law looks not at what the parties subjectively intended, but at what reasonable parties in their situation would have provided as the relevant terms.[45]

As an example of how this approach might be helpful, we noted that on the issue of credit, the *Childress* court stated that "[i]n many instances, a useful test will be whether, in the absence of contractual arrangements concerning listed authorship, each party intended that all would be identified as co-authors." A better way to put the question would be, "If reasonable parties in the shoes of these parties had discussed the matter of attribution at the time they entered the contract, would they have agreed to identify both parties as co-authors?" By asking the question that way, instead of trying to divine a subjective intent, we supply an imputed intent.

We saw earlier that compliance with the definition of "joint work" in the Act is necessary but not sufficient to create a joint work. A definition has meaning only in the context in which the defined term is used. Looking at the various contexts in which the term "joint work" appears in the Act and in interpretations of the Act, we see that the context includes ownership, right to exploit exclusive rights, right to income, attribution, and duration. We might frame a series of questions to determine what terms the parties would have included in their contract on these topics to the extent the topics were not addressed expressly. To fill in the appropriate provisions, these questions might include:

> Ownership of the work: Would reasonable parties entering into this agreement have provided that based on his or her contribution, the secondary author would acquire an undivided ownership in the entire work?
>
> Exploitation of the work: Would reasonable parties have provided that the contributor of a small portion of the work would have equal rights with the contributor of most of the work to determine the direction that exploitation of the work would take?
>
> Payments to be made: Would reasonable parties have provided that the secondary party receive one-half of the income from exploitation of the work? Would they have provided for a one-shot payment rather than an income stream?

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[45] *See* FARNSWORTH, *supra* note 32, § 7.16. "In such situations, it should not be hypothetical expectations or fictitious intentions, but basic principles of justice that guide a court in extrapolating from the situations for which the parties provided to the one for which they did not." *Id.*

> Attribution: Would reasonable parties have provided that the secondary author received attribution as an author of the work?

Contract law would also ask whether there was any trade usage that should be part of the agreement.[46] What terms are usually found in contracts between these parties (e.g., a playwright and a dramaturg)? What credit is customarily given in this situation?[47]

We might also ask the following policy questions, for it seems fair to assume that reasonable parties would follow the best policies:

> Would it be a reasonable policy for a primary author, when he or she incorporates suggestions from a secondary author, to grant the secondary author an undivided ownership in the entire work?

> Would it be a reasonable policy to extend the duration of copyright should the term computed by the secondary author's life be longer than the term computed by the primary author's life?

When a secondary author contributes a small amount of copyrightable material to the work of the primary author, the answer to these questions will usually result in a determination that the work is not a joint work. A reasonable secondary author would not expect a reasonable primary author to pay for a minimal contribution with a grant of undivided ownership and the equal right to exploit the work. Aside from the disproportionality problem, a price for the contribution may well have been agreed to in the express contract, and that price was probably a one-shot payment rather than an income stream. If price was not agreed to, then we have a contract with an omitted term, and principles of contract law can supply a reasonable price under the facts and circumstances. As to whether the secondary author would receive attribution, there are many ways to acknowledge the contribution other than as co-author of the work.

A reasonable policy would give the primary author an incentive to seek the assistance of others, or to listen to and work with a contributing or secondary author. In *Childress*, for example, the secondary author provided factual research; in *Aalmuhammed*, knowledge of another culture; in *Meltzer*, the client of the architectural firm proposed that contribution. In all these cases, the incentive should be for the primary author to improve the work and respect the contribution of the other party without the risk

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[46] *See* RESTATEMENT (SECOND) OF CONTRACTS § 222 (1981).

[47] In a special feature that comes with the *Deadwood* DVDs, the actors discuss how they regard the principal writer of the series, David Milch, as a genius who is great to work with. One actor comments that Milch actually listens to them when they have a suggestion. The scene then shifts to a rehearsal, during which one of the actors suggests that his character do a certain thing that was not included in the script. "That'll be good," says Milch, "but don't fucking arbitrate for credit."

of loss caused by joint ownership. Nor should the public have to run the risk that the duration of a copyright is extended because of these minimal contributions by another person.

We now turn to the right of the primary party to use the secondary party's work.

IV. COPYRIGHT OWNERSHIP OF THE WORK CONTRIBUTED BY THE SECONDARY PARTY

Regardless of what test is used, if the conclusion is that the work is not a joint work, the issue then arises as to whether the secondary party owns the copyright in his or her contribution. The *Childress* court did not have to address this question because it concluded that the work supplied by the secondary party was not copyrightable. In *Thomson*, however, the issue seemed to favor the secondary party. Nevertheless, the *Thomson* court, in a masterly bit of evasiveness, stated that "[o]ur circuit has not decided whether a person who makes a non-*de minimis* copyrightable contribution but cannot meet the mutual intent requirement of co-authorship, retains, in the absence of a work-for-hire agreement or of any explicit contractual assignment of the copyright, any rights and interests in his or her own contribution. This issue, however, was not presented to the district court by the parties."

Nevertheless, the facts found by the *Thomson* court left no doubt but that Thomson was the owner of the copyright in some of the work she contributed. Her work was not commissioned by Larson as a work made for hire, as it did not pass either of the statutory tests — it was not one of the nine enumerated works accompanied by a signed work for hire agreement, and Thomson was not Larson's employee. It was not a joint work. Therefore, it must have been Thomson's work as a sole author. Therefore, Larson did not own the copyright, and absent a license from Thomson, had no right to use it.

Did Thomson grant Larson the right to use the work? Section 204(a) of the Act requires that a transfer of copyright ownership or of any of the exclusive rights that comprise a copyright be made in a signed writing.[48] We are assuming that the parties' agreement did not contain any language of transfer or assignment. Therefore, Thomson cannot have transferred the exclusive right to use the work to Larson. But the Act provides us with an out to come to the aid of Larson and permit him to use the work as contemplated by their agreement. The definition of "transfer of copyright ownership" in § 101 does not include a nonexclusive license.[49] Therefore, the § 204 restrictions on transfer do not apply and we are free

[48] 17 U.S.C. § 204(a) (2012).
[49] *Id.* § 101 (definition of "transfer of copyright ownership").

to find that Thomson as a secondary party granted Larson as the primary party a nonexclusive license to use her work.[50]

But should we find such a grant? Again we look to the imputed intent of the parties. Would a reasonable person in the shoes of the secondary party have intended that the primary party use the work of the secondary party? The answer in virtually every case is going to be in the affirmative, for otherwise there would have been an economically sterile transaction. For example, that is why Larson paid Thomson and that is why Thomson undertook the project. A reasonable party would not make a contribution to the work of another party for pay without intending that the other party be permitted to use the contribution. In determining the scope of the license, we would again ask for what purposes a reasonable secondary party would permit the primary party to make use of the work. Most of the time, the answer will be a use co-extensive with the use the primary author was going to make of his or her own contribution.

Sure enough, no sooner had the ink dried on the appellate court opinion, then Thomson was back in court with a copyright infringement claim.[51] According to the *New York Times*, the purpose of the lawsuit was "to halt the use of the limited amounts of copyrightable material the court had validated. If Ms. Thomsen [sic] prevailed, the producers could have been required to remove lines from the script."[52] But it is unlikely that Thomson would have prevailed. Even without benefit of this article, I am hopeful that a court would have determined that an implied term in the contract between the parties was a grant from Thomson to Larson of a non-exclusive right to use her work.

As to the scope of that license, I think the court would have found that each time Thomson added text to Larson's script, she impliedly said, "I hereby grant you a nonexclusive license to use my work in your work in any form in which it appears, now known or hereinafter developed or discovered, throughout the universe, from the beginning of time until the end

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50 Goldstein and Nimmer both appear to concur with this view. Goldstein grudgingly acknowledges that a co-author's interest "may resemble a nonexclusive license more than it does an ownership interest." GOLDSTEIN, *supra* note 13, § 4.2.1. Nimmer states: "But the issue remains whether, under this type of situation, a party is "entitled to withdraw her purported contributions" or even to sue the primary author for infringement based on exploitation of the co-owned materials. Judicious invocation of the doctrine of implied license may obviate those unpalatable alternatives." NIMMER & NIMMER, *supra* note 11, § 6.07[B][2] (quoting *Thomson*, 147 F.3d at 205).

51 Larson v. Thomson, No. 1:98-cv-03447 (S.D.N.Y. May 14, 1998).

52 Jesse McKinley, *Family of 'Rent' Creator Settles Suit over Authorship*, N.Y. TIMES, Sept. 10, 1998, at B3.

of the world." The parties settled before the court could make such a ruling.[53]

In another case in which the court found that the primary party used the secondary party's copyrightable material, the court did not address this issue, presumably because the plaintiff's claim was based on restitution rather than on contract. In *Aalmuhammed v. Lee*,[54] the court concluded that Aalmuhammed's contributions to Spike Lee's movie script for Malcolm X were independently copyrightable and it also determined that there was no joint work. Therefore, the court should have addressed the issue of Lee's right to use Aalmuhammed's copyrightable material. Instead, the court jumped right to the issue of how much Aalmuhammed should be paid for his services on claims that the plaintiff had articulated as sounding in "quasicontract, quantum meruit, and unjust enrichment."[55] The court was careful not to suggest that there was a contract between the parties, and therefore the claim was not in contract but in restitution for the reasonable value of services that were rendered in the expectation of compensation. But it sounds like a close case — the same facts could also give rise to an express contract or an implied-in-fact contract with the contract price not determined by the parties.

In any event, because the motion picture company used Aalmuhammed's copyrightable material with his consent, the court should have found that Aalmuhammed granted Lee an implied nonexclusive license for the use of his copyrightable contributions. The same objective manifestations that were used to determine whether there was a joint work could have been used to determine the scope of that license. As with Larson's use of Thomson's material, it would be reasonable to conclude that the scope would have been co-extensive with uses of all material in the motion picture. Then, instead of calculating the value of the benefit conferred in restitution, the court might have calculated the amount payable to Aalmuhammed as the value of that license — the amount a reasonable motion picture company would have paid to license that work.

We now turn to *Garcia v. Google*.

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[53] Note that the Dramatist's Guild had suggested such a result in an amicus brief. The *Thomson* court stated:

> In a similar vein, The Dramatists Guild, Inc., a professional association of playwrights, librettists, composers, and lyricists, posits that "[g]iven the collaborative nature of theater, any 'contribution' of copyrightable material should be understood as conveying with it to the playwright a nonexclusive license to use the collaborator's material in the work, absent some other arrangement in writing."
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> Brief for *Amicus Curiae* The Dramatists Guild, Inc. at 30, *cited in* Thompson v. Larson, 147 F.3d 195, 206 (2d Cir. 1998).

[54] 202 F.3d 1227 (9th Cir. 2000).

[55] *Id.* at 1236.

V. *APPLICATION TO* GARCIA V. GOOGLE

The three-judge panel in *Garcia v. Google*[56] found that an implied license was granted by the secondary party to the primary party when there is not a joint copyright, but the finding has been mooted by the conclusion of the court en banc that the contribution of the secondary party was not copyrightable.[57] As the facts were described by the three-judge panel, Garcia was paid $500 to perform in Youssef's film tentatively titled "Desert Warrior." But she was surprised to discover that her performance was dubbed and used in an anti-Islamic film called "Innocence of Muslims." That film drew the ire of many Muslims, including one cleric who issued a fatwa calling for the death of everyone involved, including Garcia. Garcia responded by asking Google, which owns YouTube, to remove the video pursuant to the "takedown" provision of the Act.[58] The takedown notice must be sent by a copyright owner.[59] Therefore, to succeed in obtaining injunctive relief, Garcia had to prove that she owned a copyright in the work. *Garcia* has proved controversial because, by finding in her favor, the three-judge panel suggested that an actor may have a copyright in the performance contributed to a motion picture. Although reversed by the court en banc, the decision is worth examining for its discussion of the primary party's use of the secondary party's copyrightable work.

The court found that the motion picture was not a joint work because "Garcia argues that she never intended her performance to be part of a joint work."[60] Although the court cites its precedent in *Aalmuhammed*, this analysis sounds more like the subjective test from *Childress*. Her belief that it is not a joint work does not make it not a joint work, just as belief that a person has not entered a contract does not mean they have not entered into a contract. Nevertheless, had the court looked at Garcia's objective manifestations, it likely would have come to the same conclusion. The dissent, also citing *Aalmuhammed*, concluded that she was not an author and therefore could not be a joint author.[61]

The court then addressed the question that the *Thomson* court ducked — whether, even if she was not a joint author, Garcia might have made an independently copyrightable contribution to the work. The court noted that this is not usually an issue "because copyright interest in the vast majority of films are covered by contract."[62] So we have the classic

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56 766 F.3d 929 (9th Cir. 2014), *rev'd en banc*, 786 F.3d 733 (9th Cir. 2015).

57 *Garcia*, 786 F.3d at 740.

58 17 U.S.C. § 512 (2012).

59 *Id.* § 512(c)3A(1).

60 *Garcia*, 766 F.3d at 933.

61 *Id.* at 941-45 (Smith, J., dissenting).

62 *Id.* at 936. The opinion was otherwise silent about the presence of a contract, except that in a footnote, the court stated:

case of a work that we are going to presume is copyrightable, is not a work made for hire and is not a joint work. What rights does Youssef have to use Garcia's work?

I give the court credit for performing this analysis, and it correctly concluded that Garcia granted Youssef an implied license to use her copyrightable material in his work. Although thin on analysis, the case is analogous to another Ninth Circuit case, *Effects Associates, Inc. v. Cohen*,[63] in which the court found that an implied nonexclusive license was granted in the case of a failed work for hire agreement.

The court then took the logical next step, determining the scope of that license. The court concluded that "the license Garcia granted Youssef wasn't so broad as to cover the use of her performance in *any* project. . . . The film differs so radically from anything Garcia could have imagined when she was cast that it can't possibly be authorized by any implied license she granted Youssef."[64]

This analysis is basically sound. However, because we are talking about the intentions of reasonable parties rather than the parties themselves, I would prefer that the court had not discussed what "Garcia could have imagined" and instead had focused on the expectations of a reasonable person in her shoes. But that is a minor quibble.

The major quibble is that before discussing the terms that are implied, a court should start with the express terms in the contract between the parties. We know that there was such a contract, for in setting out the facts, the court stated:

> [S]he agreed to act in a film with the working title "Desert Warrior." . . . Garcia was given the four pages of the script in which her character appeared and paid approximately $500 for three and a half days of filming.[65]

If Youseef violated the terms of the implied license because it "wasn't so broad as to cover the use of her performance in *any* project," then he must also have breached the terms of the express contract he entered into with Garcia as an actress. Indeed, that contract appears to be the source of the scope of the implied license. The contract issue could be framed as: Does a producer who contracts with an actor to appear in Work A have the right to use the actor's performance to make Work B? The court answered that

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> In the district court, Google produced an agreement, purportedly signed by Garcia, that transferred all of her rights in her performance to the film's producers . . . . The district court didn't address the agreement or its authenticity.

Id. at n.5.

63 908 F.2d 555 (9th Cir. 1990).

64 *Garcia*, 766 F.3d at 937.

65 *Id.* at 932.

question in the negative, though perhaps some trade usage on the point would have been helpful.

Why didn't Garcia bring a cause of action in contract? The answer may be that the takedown procedure under § 512 of the Act seemed like a relatively straightforward and inexpensive method of resolving her problem. Garcia may have assumed that Google would have weighed the claims of the party claiming copyright and the party claiming the right to post the film and find the scales tipped in favor of the former. There is anecdotal evidence that many service providers err on the side of caution by taking down material at the request of the copyright claimant.[66]

Had Garcia taken the contract route, the result would probably have been the same. Much of the analysis the court used to determine whether an injunction should be granted against an alleged copyright infringer is similar to the analysis of whether a party is entitled to an injunction against the other party to a contract. Is the legal remedy of damages adequate? Would the injunction be difficult to enforce? Are there public policy reasons why an injunction should or should not be granted?[67] These issues were resolved in favor of Garcia in the copyright context,[68] and the analysis would probably have been similarly favorable in the contracts context.

By taking the contract route, however, Garcia and the court could have avoided raising disturbing questions about various parties' claims to copyright ownership in a motion picture.[69] Because the court en banc reexamined the issue of copyrightability, the panel's thoughtful opinion on the granting of the implied license is moot and as ordered by the court, "[t]he three judge panel opinion shall not be cited as precedent by or to any court of the Ninth Circuit."[70] The court en banc did however endorse the finding of the district court that "even if she [Garcia] could establish such a copyright, she granted the film directors an implied license to 'distribute her performance as a contribution incorporated into the indivisible whole of the film.'"[71]

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66 *See Notice and Take Down*, WIKIPEDIA, http://en.wikipedia.org/wiki/Take down_notice (last visited Sept. 2, 2014).

67 FARNSWORTH, *supra* note 32, §§ 12.4, 12.5.

68 The court en banc apparently recognized this possibility when it stated: "Down the road Garcia may also have a contract claim." *Garcia*, 786 F.3d at 741 n.5.

69 *See* F. Jay Dougherty, *Not a Spike Lee Joint? Issues in the Authorship of Motion Pictures Under U.S. Copyright Law*, 49 UCLA L. REV. 225 (2001).

70 *Garcia*, 771 F.3d 647 (granting rehearing en banc).

71 *Garcia*, 786 F.3d at 738 (quoting Garcia v. Nakoula, No. CV-08315-MWF, 2012 BL 334702, at *2 (C.D. Cal Nov. 30, 2012)).

VI. CONCLUSION

Let us return to the hypotheticals posed in the Introduction:

- the author of a book or play (primary author) submits the work to an editor or dramaturg (secondary author) who reworks it, creating additional dialogue or scenes
- the author of a computer program (primary author) invites another programmer (secondary author) to write some of the code
- a client (secondary author) makes suggestions to an architectural firm (primary author) that are incorporated into the plans for the building

The first hypothetical is drawn from *Thomson v. Larson.* As previously discussed, the court found that there was not the intent to create a joint work, but did not rule on the issue of copyrightability. Had it done so, it likely would have found that Thomson's contribution was sufficient to be copyrightable. Given the circumstances under which Larson hired Thomson, it would seem reasonable to find that Thomson granted Larson an implied nonexclusive license to use her work, and that the extent of the license is co-extensive with Larson's use of the work.[72]

The second hypothetical is drawn from *Whelan Associates, Inc. v. Jaslow Dental Laboratory, Inc.*[73] The court held that the contributions made by the owner of a dental laboratory to the work of the computer programmers were not sufficiently copyrightable to make him a joint author. Analogizing to the suggestions made by an owner to the drafter of architectural drawings, the court held that a person who tells the author what he wants the program to do and supplies advice is not an author. Therefore the work was not a joint work.

It is, however, easy to imagine a case in which the drafter of a computer program asks another person to write code for a computer program, or asks a person to review the program and the person makes substantial changes. Let us assume that the code written is substantial enough to be independently copyrightable. Under the same analysis as in the first hypothetical, this would not be enough to result in the work being a joint work.

Because the work of the secondary author is copyrightable, however, we would also likely find that the contract between the parties included the grant of an implied nonexclusive license to use the code and the scope of that license is likely co-extensive with the use of the work by the primary author.

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72 The parties settled Thomson's claim with Thomson granting a license on more generous terms. Thomson apparently receives a portion of the royalties and a credit on the Rent playbill. McKinley, *supra* note 52.

73 609 F. Supp. 1307 (E.D. Pa. 1985).

The third hypothetical is drawn from the case of *Meltzer v. Zoller*.[74] Meltzer was a lawyer who wanted a custom home built. He brought various sketches to an architect, the Chirgotis firm, which created plans based on one of their existing plans, but which incorporated some of Meltzer's suggestions. After the Meltzer house was completed, Chirgotis used the plans for a house for Zoller. Meltzer brought suit, claiming to be the copyright owner of the plans.

Meltzer first claimed that the plans were a work made for hire, and therefore copyright belonged to him. But as many hiring parties learn the hard way, absent an employment relationship or a work for hire agreement, copyright belongs to the hired party. Meltzer then claimed to be a joint author, based on his contributions to the work. But the court held, apparently on copyrightability grounds, that since Meltzer was not an author — he had contributed only ideas and sketches — he could not be a joint author.[75]

Let's change the facts a bit and assume Meltzer designed in detail a room to be incorporated into the building. His contribution would then be copyrightable. But would the plans be a joint work on the grounds that both parties had "the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole?" The answer would still be No under the argument made in this article. The parties had a contract to create the work yet they never discussed copyright. Therefore, their intent should not be found in their subjective minds, but from their "objective manifestations."

If we supply the terms for this incomplete contract, we would likely conclude that because a reasonable secondary author would not expect a reasonable primary author to pay such a high price for a minimal contribution, the work is not a joint work. Here the policy becomes significant because a reasonable policy would give the primary author an incentive to listen to and work with a secondary author who is proposing a contribution, especially if that contributor is a client.

If we assume that the client made a copyrightable contribution to the architect's plans, the contract between them should be deemed to include the grant of an implied nonexclusive license for the firm to use the client's work. What is the scope of that license? The primary party's proposed use of the work should provide the answer. In this case, the scope of the license would be only for the use of Meltzer's contribution in the Meltzer

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[74] 520 F. Supp. 847 (D.N.J. 1981).

[75] It might be noted that if the firm had already drawn up plans, then it had a copyright in those plans. If the firm then agreed to incorporate the client's copyrightable work in the plans for his particular house, the client would have a claim for a joint copyright in the plans for his house as a derivative work. *See* Brady, *supra* note 17, at 290.

home. Use by the firm for any other purpose, such as use in the Zoller home, would violate the terms of the license.[76]

The problem of determining whether a work is a joint work has proven difficult. It is my hope that application of principles of contract law will make that determination more efficient and more intellectually satisfying. If it is then determined that the secondary party has made a copyrightable contribution to the work of the primary party, but that no joint work was created, principles of contract law can also help determine whether the secondary party has granted an implied nonexclusive license to the primary party and can also help determine the scope of that license.

[76] *See also* Aitken, Hazen, Hoffman, Miller, P.C. v. Empire Construction Co., 542 F. Supp. 252 (D. Neb. 1982).

JOINT AUTHORSHIP IN COMPARATIVE PERSPECTIVE: *LEVY V. RUTLEY* AND DIVERGENCE BETWEEN THE UK AND USA

by ELENA COOPER*

Recent scholarship has pointed to the diversity of copyright, and intellectual property laws more generally, in the common law world. In the place of a picture of convergence and uniformity, in *The Common Law of Intellectual Property*, Catherine Ng, Lionel Bently and Giuseppina D'Agostino argue that the "commonality" of intellectual property laws in common law jurisdictions has "latterly . . . become increasingly fractured." As they observe, drawing together a series of essays, the cumulative effect of diversity in many aspects of intellectual property law supports the "thesis of growing divergence in the approaches taken by the courts and legislatures of various common law countries"; the result is "a strong case that the approaches taken in the common law countries are anything but common."[1]

A copyright doctrine left unconsidered by *The Common Law of Intellectual Property* is joint authorship. A number of developments in this area point to legal variation across common law jurisdictions in recent times.[2] Amongst these are judicial decisions in the UK and the U.S.,

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[1] CATHERINE W. NG, LIONEL BENTLY & GIUSEPPINA D'AGOSTINO, THE COMMON LAW OF INTELLECTUAL PROPERTY: ESSAYS IN HONOUR OF PROFESSOR DAVID VAVER 4, 5, (2010).

[2] Differences between the UK and U.S. approaches, both in terms of legislative tests and decided case law, are outlined in the passage that follows. Variation is also evident in the approaches adopted by common law countries, such as the UK, Australia, Canada and New Zealand, that have the same or closely similar statutory definitions of joint authorship: all adopt the statu-

tory definition set out at the text to note 3 *infra*, save for Australia that substitutes "not separate" for "not distinct" (as was the case under UK Copyright Act 1956 s. 11(1), the predecessor to the current UK 1988 Act). *See* UK Copyright Designs and Patents Act 1988 s. 10(1); New Zealand Copyright Act 1994 s. 6(1); Canadian Copyright Act 1985 s. 2; Australian Copyright Act 1968 s. 10(1)). For example, in the late 1990s the UK courts developed tests relating to the nature of the joint author's contribution, into a requirement for the "right kind of skill and labor." *See* Fylde Microsys., Ltd. v. Key Radio Sys., Ltd., [1998] FSR 449, 456, 457 (denying joint author status to those who contributed to error correction tasks to computer software); Hadley v. Kemp, [1999] EMLR 589, 643, 646 (interpretation and performance of musical works); Brighton v. Jones, [2005] FSR 16, ¶¶ 34(ii), 56(iii) (theatrical presentation of dramatic works). While an approach such as this might have been drawn on by the New Zealand Court of Appeal, in the leading New Zealand case of *Land Transport Safety Authority of New Zealand v. Glogau*, [1999] 1 NZLR 261, the Court instead decided the case (which concerned whether employees of the Land Transport Safety Authority were joint authors of safety logbooks for taxi drivers as a result of their employees' contributions in discussing drafts during the course of statutory approval) on the basis of a lack of "collaboration," not the nature of the contribution: collaboration required "two, or a team, setting out to write a joint production," which did not occur in "a statutory approval situation." *Id.* at 271. *Cf. Hadley*, [1999] EMLR at 644 (Park, J.) (UK case that proceeded on the basis that "collaboration" was not in issue — that case could have been decided on the basis that all the members of Spandau Ballet were not joint authors of the musical works because the rehearsals did not involve, to use the New Zealand test, "two, or a team, setting out to write a joint production"). While this may just reflect a different emphasis, other variations are more striking. For example, in the UK, tests of "intention" have been unanimously rejected (*see* Beckingham v. Hodgens, [2003] EWCA Civ 143, ¶ 11-12 (approving of the approach of Queen's Counsel Floyd at first instance, [2002] EWHC 2143, ¶ 43)). In contrast, the New Zealand Court of Appeal considered intention to inform the requirement of "collaboration." *See Glogau*, [1999] 1 NZLR at 272. A test of intention has also received some support in Canada (see Neudorf v. Nettwork Expressions, [2000] RPC 935 (S. Ct. N.B.)), and while a subsequent ruling upheld by the Federal Court of Appeal did not follow this approach (*see* Neugebauer v. Labieniec, (2009) FC 666, *allowed in part and dismissed in part*, (2010) FCA 229)) some subsequent cases and commentary have referred to both approaches, suggesting that the test of "intention" may be applied in some Canadian cases. *See, e.g.*, Waldman v. Thomson Reuters Corp., (2012) ONSC 1138, ¶ 72; HALSBURY'S LAWS OF CANADA 106 (R.T. Hughes & S.J. Peacock eds., 2011)). As regards Australia, an example of a contrast to the UK is that the courts frequently tie a finding that there was no "collaboration" to the conclusion that contributions were "separate" on the basis that contributors exercised "individual intellectual effort." *See, e.g.*, Primary Healthcare, Ltd. v, Federal Comm'r of Taxation, [2010] FCA 419, ¶ 121-122 (concerning patient records completed by doctors); Acohs Pty., Ltd. v. Ucorp, Pty., Ltd., [2010] FCA 577, ¶¶ 57-59, *approved*, [2012] FCAFC 16, ¶ 86 (concerning the role of computer programmers and trans-

which have served further to entrench differences in approaches to joint authorship contained in the statutory tests. The statutory definition of joint authorship in the UK is "a work produced by the collaboration of two or more authors in which the contribution of each author is not distinct from that of the other author or authors."[3] In the U.S. it is: "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."[4] Whereas certain statements made in the U.S. legislative process suggested that "collaboration" (a component of the UK test[5] which does not appear in the US statute) might be an alternative to intention to merge into a unitary whole, in a number of decisions the Second Circuit District Court has made clear that this is not the case, with "intention to merge" being a requirement in all cases.[6]

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cribers of data in compiling the source code for electronic information sheets). By contrast in *Beckingham*, [2003] EWCA Civ 143, ¶ 46 (Floyd, Q.C.), the criterion that contributions are "not separate" concerned the question of how the contribution related to the rest of the finished work, rather than whether it stemmed from effort that was individual not collaborative; *see also Hadley*, [1999] EMLR at 650. The differences in interpretation of the criterion of "not separate" may result, in particular, in differences in the application of joint authorship to large-scale collaborations: in Australia, the interpretation of "not separate" by reference to the process of creating the work, rather than the significance of the contributions to the final work (as in the UK case of *Beckingham*), has been used as a judicial technique to *limit* the application of joint authorship to large scale collaborations, in which different groups of contributors may be oblivious to the function performed by other contributors. *See* Telstra Corp. v. Phone Directories, Pty., Ltd., [2010] FCA 44, ¶ 337; [2010] FCAFC 149, ¶ 92, where the Federal Court of Australia, Full Court, upheld the first instance the judgment of Judge Gordon that the white and yellow pages telephone directories were not works of joint authorship, in part because the various groups of individuals involved in the process did not collaborate, being unaware of the functions which each performed separately.

3 UK Copyright Designs and Patents Act 1988 s. 10(1).

4 17 U.S.C. § 101 (2012). This is framed as a definition of a "joint work." However, as acknowledged by judicial statement, "this definition is really the definition of a work of joint authorship." Childress v. Taylor, 945 F.2d 500, 505 (2d Cir. 1991).

5 The UK Court of Appeal has approved an approach to joint authorship that involves an enquiry into three elements: collaboration, the nature of the contribution and the requirement that each contribution is not distinct. *Beckingham*, [2003] EWCA Civ 143, ¶¶ 11-12 (approving of the approach of Queen's Counsel Floyd at first instance in *Beckingham*, [2003] EWCA Civ 143, ¶ 43).

6 *Childress*, 945 F.2d 500. On this point, the court was following *Weissmann v. Freeman*, 868 F.2d 1313, 1317-19 (2d Cir.1989). Legislative discussion of this provision appeared to envisage two alternative criteria: collaboration or intention to merge into a whole. In *Weissmann*, 868 F.2d at 1317-19, and

Further, the decision that reflects the current U.S. majority view, the U.S. Second Circuit District Court in *Childress v. Taylor*,[7] sets down two further requirements that again distance the U.S. approach from that in the UK. First, each joint author's contribution must be "independently copyrightable" such that if someone contributes a "non-copyrightable idea" and another the "copyrightable form of expression," the contributor of the idea will not be a joint author.[8] This contrasts to certain case law in the UK: in looking for a contribution to the skill and labor protected by copyright,[9] rather than the higher hurdle that the contribution is independently copyrightable, certain UK decisions have been more flexible in accepting co-authorship status for the contributors of ideas.[10] Secondly, the ruling in *Childress* requires "intention as to co-authorship,"[11] and in *Beckingham v. Hodgens* the UK Court of Appeal unanimously ruled that there

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Childress, 945 F.2d at 505-06, the Second Circuit made clear that the statutory test was to be interpreted literally.

7 *Childress*, 945 F.2d 500; Eric J. Schwartz & David Nimmer, *United States of America, in* INTERNATIONAL COPYRIGHT LAW AND PRACTICE § 4[1][a][i] (Paul E. Geller ed., 2011).

8 *Childress*, 945 F.2d at 506. Subsequent decisions have explained this to mean that the contribution must amount to an "original expression that could stand on its own as subject matter of copyright." *See* Erickson v. Trinity Theatre, 13 F.3d 1016 (7th Cir. 1994), ¶ 46 (quoting PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE § 4.2.1.2, at 379 (1989)). *But see Weissman*, 868 F.2d 1313 (focusing on collaboration).

9 The impact of the dicta of the European Court of Justice in defining "originality" as "own intellectual creation" is yet to be seen in joint authorship case law. *See* Infopaq Int'l, A/S v. Danske Dagblades Forening, Case C-5/08, [2009] ECR I-6569; *see also infra*, note 129.

10 *See, e.g*, Cala Homes (South), Ltd. v. Alfred McAlpine Homes, Ltd., [1995] FSR 818, 835 (Laddie, J.) ("In my view, to have regard merely to who pushed the pen is too narrow a view of authorship. What is protected by copyright in a drawing or a literary work is more than just the skill of making marks on paper or some other medium. It is both the words or lines and the skill and effort involved in creating, selecting or gathering together the detailed concepts, data or emotions which those words or lines have fixed in some tangible form which is protected."). Note however, that in *Robin Ray v. Classic FM, Plc.*, [1998] FSR 622, 636, Justice Lightman said he considered *Cala* to be an "exceptional" case, involving "very detailed input given by the joint author that did not exercise penmanship" and concluding that "what is required is something which approximates to penmanship." *See also* Donaghue v. Allied Newspapers, Ltd., [1938] Ch. 106, 109 (though a claim for joint authorship was not advanced in that case).

11 *Childress*, 945 F.2d at 507. This takes the requirement of intention beyond that indicated by the statutory language (confined to the merger of the contributions into a unitary whole). *See* the wording of 17 U.S.C. § 101 n.4 (2012).

was "no basis" for "importing" such a requirement from inter alia U.S. jurisprudence, expressly refusing to follow *Childress*.[12]

Despite these differences, the courts in both the UK and the U.S. claim joint authorship to have a common historical lineage: the late nineteenth century English case of *Levy v. Rutley*.[13] In *Childress*, the Second Circuit District Court acknowledged *Levy* to be "the first definition of "'joint authorship'"[14] and in the UK, *Levy* is still cited in some legal judgments as regards the substance of the joint authorship test.[15] This common origin might suggest that the "fracture" of UK and U.S. approaches to joint authorship occurred only in recent times. The central contention of this article is that it is not: despite *Levy* being the common root of joint authorship in both jurisdictions, the story of difference has a longer history.

In this way, the comparative historical research contained in this paper presents a nuanced picture about the influence of common law jurisdictions on the national laws of one another. On the one hand, it further supports the "provocative thought" entertained in the postscript to *The Common Law of Intellectual Property*: that intellectual property in common law countries has long been characterized by divergence.[16] On the other, the very fact that the U.S. sought to draw on English nineteenth-century authorities as late as the early twentieth century, suggests that this is an area that defies one of the most obvious explanations that existing literature has put forward to account for difference in common law approaches: the throwing off of "old legal chains" by former colonies that had become independent.[17] Indeed, as we will see, the roots for the emergence of divergence lie with a U.S. decision that read *Levy* in conjunction with another English authority (*Hatton v. Kean*), at variance to its interpretation by English courts. In explaining these differences and others in UK and U.S. approaches, which stem from the development of dicta from

12 Beckingham v. Hodgens, [2003] EWCA Civ 143, ¶ 52-53 (Parker, L.J.), affirming [2002] EWHC 2143, ¶ 48 (Floyd, Q.C.).

13 (1870–71) L.R. 6 C.P. 523.

14 *Childress*, 945 F.2d at 504.

15 *See, e.g.*, *Beckingham*, [2003] EWCA Civ 143, ¶ 44 (Floyd, Q.C.) (drawing on *Levy* to inform the requirement of "collaboration"). *See also* the language of "common design" in *Godfrey v. Lees*, [1995] EMLR 307, 325. In addition, certain dicta on the nature of the contribution may be informed by *Levy*. For example, in *Godfrey*, Judge Blackburne accepted that there was no need for each joint author to contribute equally to the work, which was also a point decided in *Levy*.

16 *See* NG, BENTLY & D'AGOSTINO, *supra* note 1, 401-21.

17 *See id.* at 6 (quoting the contribution of Lior Zemer in the same volume: Lior Zemer, *The Emancipation of Fair Use in Israel in* THE COMMON LAW OF INTELLECTUAL PROPERTY, *supra* note 1, 281-304, 284).

common authorities, this article looks to broader differences in social and cultural contexts (e.g., the theatre and literature in the UK and popular music in the U.S.) and other variations in national copyright rules, which provided distinct parameters within which the implications of joint authorship were debated and considered in the two jurisdictions.

With these comments in mind, this article proceeds as follows: starting with the ruling in *Levy* and other nineteenth-century disputes about authorship and ownership (Section I), it explains how and why differences emerged between UK and US approaches to joint authorship during the course of the twentieth century (Sections II and III). The article concludes (in Section IV) with comments about how the comparative history of joint authorship contributes to a broader picture of historical diversity in copyright in the common law world, an observation of relevance both to copyright scholarship and policy-making in recent times.

I. *COMMON ORIGINS:* LEVY V. RUTLEY *AND EARLY DISPUTES OVER AUTHORSHIP*

Levy v. Rutley, decided in 1871 by the Court of Common Pleas, was one of a number of cases brought under the Dramatic Literary Property Act 1833[18] by theatre managers seeking to prevent rival theatres from putting on plays written by dramatists they had "employed." In these cases, the courts were presented with competing claims as regards authorship and/or first ownership between "employer" theatre managers on the one hand and "employee" dramatists on the other.[19] As this section shows,

[18] The Dramatic Literary Property Act 1833 (3 & 4 Will. 4, c.15) provided protection for the performance of "any Tragedy, Comedy, Play, Opera, Farce, or any other Dramatic Piece or Entertainment" at "any place or places of Dramatic Entertainment whatsoever" (at § 1). For more on the 1833 Act see Ronan Deazley, *Commentary on Dramatic Literary Property Act 1833*, *in* PRIMARY SOURCES ON COPYRIGHT (1450–1900) (Lionel Bently & Martin Kretschmer eds.), http://www.copyrighthistory.org (last visited Jan. 1, 2015); Isabella Alexander, *"Neither Bolt nor Chain, Iron Safe nor Private Watchman, Can Prevent the Theft of Words": The Birth of the Performing Right in Britain*, *in* PRIVILEGE AND PROPERTY: ESSAYS ON THE HISTORY OF COPYRIGHT (Ronan Deazley, Martin Kretschmer & Lionel Bently eds., 2010).

[19] The cases describe the theatre managers as "employers" and their relation with the dramatists as one of "employment." Yet, it should be noted that the nineteenth-century meaning of these terms was different from their meaning today. As Simon Deakin and Frank Wilkinson have shown, the modern concept of the contract of employment did not emerge until the twentieth century. In the mid-nineteenth century, the term "employee" denoted wage-dependent labour of clerical, managerial or professional status. The category "employee" was distinct from that of "servant," the latter falling under the disciplinary regime of "master" and "servant" legislation which was supported by the criminal jurisdiction of the magistrates' courts.

the decision in *Levy*, which favored the position of the latter, can be explained both by the wish not to undermine other case law prescribing the circumstances in which the interests of "employer" theatre managers would prevail, as well as policy implications relating to operation of copyright in the particular context of the theatre.

By the time *Levy* came to be heard, a number of disputes between theatre managers and dramatists had been decided. These established a number of propositions. First, it was clear that the "author" was the first owner of copyright in a play: in *Shepherd v. Conquest*, the Court of Common Pleas rejected an argument that presented the relationship between a theatre proprietor and a dramatist he had "employed" as one of "master" and "servant" such that the labor of a "servant" became "the property of his masters at the moment of production."[20] As Chief Justice Jervis concluded: "it is upon the author in the first instance that the right is conferred by the statute which creates it."[21]

While copyright vested ab initio with the "author," there were cases in which an "employer" might be "the author." Support for this was provided by the dicta of the Vice Chancellor Sir John Leach in *Barfield v. Nicholson*, decided by the Court of Chancery in 1824, in discussing who was the author and proprietor of a book, *The Practical Builder*, to which the defendant and others had contributed:

> [T]he person who forms the plan, and who embarks in the speculation of a work, and who employs various persons to compose different parts of it, adapted to their own peculiar acquirements — that he, the person who so forms the plan and scheme of the work, and pays different artists of his own selection who upon certain conditions contribute to it, is *the author and proprietor* of the work, if not within the literal expression, at least within the equitable meaning of the statute of Anne, which, being a remedial law, is to be construed liberally.[22]

A contractual model of the work relationship only emerged in the nineteenth century in relation to the former category: "employees." *See* SIMON DEAKIN & FRANK WILKINSON, THE LAW OF THE LABOUR MARKET: INDUSTRIALISATION, EMPLOYMENT AND LEGAL EVOLUTION 36, 74, 78-79, 106 (2005).

20 Shepherd v. Conquest, (1956) 17 CB 427; 139 E.R. 1140, 1147.

21 *Id.* at 1147. Another reason why this argument was rejected may be that, as noted at note 19 above, the "master" and "servant" relationship was distinct from that denoted by the terms "employer" and "employed" which were used to refer to the plaintiff, the proprietor of the Surrey Theatre, and the dramatist (called Courtney). The facts of *Shepherd* were that the Courtney was "employed" by the plaintiff as a "stock author" to attend plays in France with a view to adapting them for the English stage, and for which purpose he was paid a weekly stipend and expenses.

22 2 L.J. Ch. (O.S.) 90, 102 (emphasis added). This notion of authorship was put forward in the context of considering an argument as to whether a Mr. Kelly, who had formed the plan and scheme of the work and paid the con-

This suggested that an employer who was also a senior contributor, i.e., a contributor to the overall "plan and scheme" of the work, would be its sole author. Later case law left open this basis for authorship. In *Shepherd v. Conquest*, the Court of Common Pleas confined its conclusions to the facts before it: that it was an "abuse of terms" to say that an employer who "merely suggests the subject and has no share in the design or execution of the work" was an "author." However, Chief Justice Jervis expressly left it open that there might be other circumstances in which an employer might be the first owner of copyright, and by implications the author.[23]

Such circumstances arose in *Hatton v. Kean*, which Justice Byles presented as an example of the class of case upon which the court in *Shepherd* had "expressly abstained from pronouncing an opinion."[24] In *Hatton*, the manager of a theatre was held to be "the author and designer of an entire dramatic composition" (an adaptation of a number of Shakespeare's plays) and the music composed by a musician, who the manager

tributors, was a purchaser for value without notice of Nicholson's contribution, such that he would not be bound by a restrictive covenant by which Nicholson promised the plaintiff not to publish any work which would interfere with a rival work to which Nicholson had previously contributed: *The Architectural Dictionary*. Counsel for the plaintiff argued that Kelly would only be a purchaser for value without notice if he had complied with the formalities proscribed by the applicable copyright Act (the Statute of Anne 1709) that required assignments of copyright to be in writing. Sir John Leach dismissed this argument by finding Kelly to be the author and proprietor of the work. Interestingly, this passage is not contained in the report of the case in the *English Reports*, ((1824) 2 Sim. & Stu. 1; 57 E.R. 245), yet the dicta came to be cited widely in subsequent cases and early treatises on copyright. *See, e.g.*, WALTER COPINGER, COPYRIGHT IN WORKS OF LITERATURE AND ART 45 (1870) (after citing the rule in *Shepherd*, this dicta from *Barfield* is quoted to support the statement that: "Where however the employers do more than suggest the subject, and have a share in or solely design the execution of the work, the case is different."). It is interesting to note that Copinger was clearly aware of nineteenth-century U.S. rulings that were early forerunners to the work for hire doctrine which would emerge in the U.S. in the early twentieth century. *See, e.g., id.* at 44 (citing Atwill v. Ferrett, 2 F. Cas. 195 (C.C.S.D.N.Y. 1846) (No. 640)). Professor Fisk in her history of the work for hire doctrine presents *Atwill* as an early example of employer ownership, though on the basis that "employers acquired a claim to the copyright based only on their intellectual contributions, not by virtue of having paid the employee to create." *See* Catherine Fisk, *Authors at Work: The Origins of the Work-For-Hire Doctrine*, 15 YALE J.L. & HUMAN. 1, 25 (2003). Also on the early history of the work for hire doctrine in the U.S., see Oren Bracha *The Ideology of Authorship Revisited: Authors, Markets and Liberal Values in Early American Copyright*, 118 YALE L.J. 118, 186 (2008).

23 *Shepherd*, (1956) 139 E.R. at 1147.

24 (1860) 29 L.J.C.P. 20, 25.

"employed" for that purpose, was merely "a part of, a mere accessory to the main piece."[25] In these circumstances, the Court of Common Pleas held that the "employer" was first owner of copyright in the "entire dramatic composition, including the musical portion" contributed by the musician,[26] there being no need for written consent or assignment.[27] The court's reasoning drew attention to the fact that the oral terms on which the musician was "employed" were such that the music should "form part of the entire dramatic composition"[28] and that the music was composed in accordance with "the plan designed and carried out" by the "employer."[29] Walter Copinger, in the first edition of his copyright treatise published in 1870, considered *Hatton* to be an application of the principle put forward by Vice Chancellor John Leach in *Barfield*, that is, an "employer" who "did more than suggest the subject" and contributed to the plan or scheme of the work was both the author and first owner of copyright in the work.[30]

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25 *Id.* at 24 (Erle, C.J.).

26 *Id.* at 25.

27 The facts of this case were that there was no written contact of any nature between "employer" and "employee," the manager having "verbally employed the plaintiff." *Id.* at 20.

28 *Id.* In a later case it was made clear that *Hatton* would not apply where the musical contribution to a larger dramatic production (a Christmas ballet) was a "substantial, independent musical composition." Eaton v. Lake, (1888) 20 Q.B.D. 378, 385.

29 *Hatton*, 29 L.J.C.P. at 24. As Justice Crowder expressed it (29 L.J.C.P. at 25), the musician's contribution was "accessory to the one general design" of the employer.

30 COPINGER, *supra* note 22, at 45. The judgments in *Hatton* made clear that the employee contributor had "no separate rights to the music" but this was expressed to be "as between the plaintiff and the defendant" (*Hatton*, (1860) 29 L.J.C.P. at 25 (Crowder, J.)) the case merely deciding that the plaintiff had no right to prevent the representation of the dramatic piece as a whole by the employer. This did not rule out the possibility that the employee contributor might retain a copyright in the individual contribution for other purposes, though in a subsequent case in which *Hatton* was applied, the Court of Queen's Bench held that the contribution of an "employee" musician, in composing the music "as a mere adjunct and accessory to the dramatic piece *Lady Audley's Secret*, 'became part and parcel of the drama, and no longer has an independent existence as a musical composition.'" Wallerstein v. Herbert, (1867) 15 WR 838, 839 (Cockburn, C.J.). This conclusion appears also to have been supported by the early editions of Copinger's work, in which *Hatton* was cited as a case in which the individual contributions "lose their separate identity." COPINGER, *supra* note 22, at 44. Interestingly, after the passage of the 1911 Act, the commentary in *Copinger* would be revised such as to present these cases as relevant to a new category of works defined by the 1911 Act: "collective works." The provisions on collective works, that is works comprising "distinct parts by

Viewed in the context of this contemporaneous case law, *Levy* concerned an alternative means by which "employer" theatre managers might argue that they were authors and thereby first owners of copyright: as joint authors with the dramatists they "employed."[31] Indeed, the report of the decision records that the claim of joint authorship was how the case was "ultimately presented" following an unsuccessful attempt to argue that Levy was the author and proprietor by virtue of his status as "employer" (a matter "answered by *Shepherd v Conquest*").[32] While the Dramatic Literary Copyright Act (and perhaps the Literary Copyright Act 1842) contemplated that there might be cases of co-authorship, there was no statutory guidance on when this would arise.[33] This was a matter left to

different authors," envisaged that the various parts might be works in their own right (1911 Act §§ 35, 16(2)). Consequently, in the edition of his work which was published after the 1911 Act, the discussion in *Copinger* would present a collective work as involving "two distinct copyrights, namely: (1) in the collective work considered as a whole and (2) in the distinct works of the various contributors to the collective work." JAMES M. EASTON & WALTER COPINGER, COPYRIGHT IN WORKS OF LITERATURE AND ART 224 (5th ed. 1915). In this new legislative context, *Copinger* presented cases such as *Hatton* and *Barfield* as examples of authorship of the collective work as a whole (*id.* at 225, 110-11) that did not preclude authorship and ownership by the individual contributor of a separate copyright in their individual contributions.

[31] Another unsuccessful line of argument pursued by Levy in both *Levy v. Rutley* and a number of other legal proceedings that he brought against owners of theatres (located in Weymouth, Exeter, and Liverpool), was that he was the dramatist's assignee. *See infra*, note 46 and accompanying text, regarding the failure of this argument in *Levy v. Rutley*. In the other cases, which all concerned the unauthorized performances of plays by dramatist John Courtney (*The Solder's Progress, The Two Colts* and *Time and It's All*), the proceedings either failed or were abandoned by Levy following hearing of defense arguments as to defects in the assignment (either failure to comply with formalities or on the basis that the assignment documents were forged) or because Courtney had granted a license to the defendant prior to the alleged assignment. *See* Levy v. Neeve (Ct. C.P.), THE TIMES May 3, 1871, at 11, and May 4, 1871, at 11, *Levy v. Lacy* (writ dated Dec. 23, 1870, which proceedings collapsed when Levy did not appear to prosecute before the Surrey Assizes court in 1871. *See* UK National Archives CP40/4118; *Summer Assizes*, THE TIMES, Aug. 16, 1871, at 9; *Northern Circuit*, THE TIMES, Aug. 17, 1871, at 11); *Levy v. Heath* (writ dated Dec. 21, 1870, heard before Justice Willes in Spring Assizes 1871 and the Court of Exchequer in June 1873; *see* UK National Archives CP40/4116; *Court of Common Pleas*, THE TIMES, May 24, 1871, at 11).

[32] Levy v. Rutley, (1870–71) L.R. 6 C.P. 523, 530.

[33] Section I of the Dramatic Literary Property Act 1833 stated that the term of protection would be for twenty-eight years from first publication, or the life of "the Author or Authors or Survivor of the Authors," whichever period was longer, as well as containing an interpretation clause which specified

the judiciary and the question of what this might mean came to be addressed at length for the first time in *Levy*.[34]

The particular facts of *Levy* concerned a dispute between rival theatre proprietors about the right to perform *The King's Wager*, a play about the adventures of Charles II after his escape from the battle of Worcester. Lawrence Levy, the proprietor of the Victoria Theatre, had employed a dramatist named Wilks to write the play in 1836. Wilks presented the finished play to Levy, following which Levy made changes to it with the assistance of two actors from his theatre company: he introduced a new scene and made "alterations and additions to the dialogue" so as "to make it more attractive to an audience."[35] The report of the litigation in *The Times* characterized these as "sensation scenes" (in submissions by Coun-

that "whenever Authors . . . are spoken on in this Act in the Singular Number. . . the same shall extend to any Number of Persons . . ." (§ IV). In his commentary on this Act in *Primary Sources on Copyright*, Ronan Deazley notes these to be the first UK statutory provisions on joint authorship. *See* Deazley *supra* note 18, ¶ 10. Section 2 of the Literary Copyright Act 1842, dealing with copyright in "books," contained a more general interpretation provision that references to the singular in respect of inter alia "any Person . . . shall be understood to include and to be applied to several Persons as well as one Person," though this was subject to the proviso that this would not apply where "there shall be something in the subject or context repugnant to such construction." A number of cases, however, indicated that the courts considered the 1842 Act to accommodate co-authorship. In *Maclean v. Moody*, (1858) 20 Sc. Sess. Cas. 2d Ser. 1154, a case about copyright in shipping lists, the Court of Session clearly understood the 1842 Act to contemplate joint authorship, Lord Deas noting in passing that a work "may be the joint production of two or more authors, whose contributions to it are undistinguishable . . . . " *Id.* at 1163. Further, in *Marzials v. Gibbons*, (1873–74) L.R. 9 Ch. App. 518, which concerned the right of an executor to rely on the transitional provisions of section 4 of the 1842 Act, the Court of Appeal did not raise any objection to the fact that the work in question, a Methodist hymn book, was compiled by seven authors. For the position under the Fine Arts Copyright Act 1862, see *infra*, notes 82-86 and accompanying text.

34 As explained in note 33 *supra*, the judiciary had previously noted the possibility of joint authorship in cases such as *Maclean* decided under the Literary Property Act 1842. Joint authorship under the Dramatic Copyright Act 1833 was pleaded by Levy in earlier proceedings concerning the play *Breakers Ahead*: Levy argued that he was joint author of the play with a J.T. Haines on the basis that Levy had "suggested some alterations in the last scene, which gave a more sensational turn to the stage directions." Justice Montague Smith referred the question of whether this had been proven to the jury, who returned verdict for the defendant. Counsel for Levy sought to request a fresh trial, on the basis of improper rejection of the evidence, but this was refused. *See* Levy v. Cave (Ct. C.P.), THE TIMES, Dec. 14, 1870, at 11, Jan. 16, 1871, at 11.

35 *Levy*, (1870–71) L.R. 6 C.P. at 529.

sel for the plaintiff) and "additions . . . for the attention of the gallery" (in argument put by Counsel for the defendant): one scene involved the Duke of Buckingham striking the legs of a police constable who was hiding by posing as a statue, to which the constable cried "Mercy, Mercy," and in another "the King was made to kiss a pretty barmaid."[36] The play was published in 1840 and Wilks died in 1854. Accordingly, if Wilks was the sole author, copyright would have expired by the time of the allegedly infringing performance put on by the defendant's theatre.[37] Levy brought a claim for penalties under the Dramatic Literary Property Act 1833 alleging that he was Wilks's co-author, with the consequence that copyright continued to subsist in the play and that he was joint owner.

The case was heard by Winchester Assizes before Justice Byles and Baron Pigott, with a verdict returned by the jury for Levy.[38] This decision was subsequently appealed to the Court of Common Pleas, where Levy's claim was unanimously rejected. While the judges accepted that joint authorship might arise in cases where one author had contributed more than another, Levy had merely made subsequent additions and alterations, there being no common design with Wilks. As Justice Byles explained, joint authorship required a piece to be "written . . . jointly, in prosecution of a pre-concerted joint design."[39] Agreeing with Justice Byles, Justice Keating expressed this as "a joint labouring in furtherance of a common design."[40] Finally, Justice Montague Smith delivered a judgment agreeing with both the other judges. As he explained, joint authorship demanded an agreement "to write a piece, there being an original joint design, and the co-operation of the two in carrying out that joint design . . . ."[41]

It is worth noting that Justice Montague Smith's judgment was reported differently in *The Law Times Reports*: he was reported as objecting to the fact that there was "no agreement between the two, *or intention on Wilks's part that they should have been joint authors originally.*"[42] Further, rejecting Levy's alternative claim that copyright had been assigned by virtue of a receipt which stated that Wilks received payment for his "share

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36 *Court of Common Pleas*, THE TIMES, Jan. 6, 1871, at 11.

37 As per § I of the Dramatic Literary Property Act 1833. *See supra*, note 33. The term provided by the Dramatic Copyright Act 1833 was amended by the Literary Copyright Act 1842, so as to bring it into line with the term applicable to books (see *infra*, note 70). However this only applied to works published after the passage of the 1842 Act. *See* Copyright Act 1842 ss. 3, 20.

38 *See* Plea Roll at UK National Archives CP40/116; Cause List at UK National Archives ASSI 22/32.

39 *Levy*, (1870–71) L.R. 6 C.P. at 528.

40 *Id.* at 529.

41 *Id.* at 530.

42 (1871) 24 L.T.R. (N.S.) C.P. 621, 623 (emphasis added).

title and interest as a co-author" with Levy, Justice Montague Smith is recorded as saying that the only relevance of the receipt might be in the context of the issue of joint authorship: as "evidence that they considered themselves to be co-authors at that time," though this finding was "not warranted by the facts."[43] It was this report, with its inclusion of a test of intention as to joint authorship, which was to be quoted at length in subsequent editions of Walter Copinger's treatise on copyright, published during the course of the late nineteenth and early twentieth century.[44]

The court's test of common design (and, as in *The Law Times Report* or Copinger's treatise, intention as to joint authorship on the part of Wilks) supported a finding of sole authorship by a dramatist, as against an "employer" manager, a result that appears, at least in part, to have been influenced by the norms of play-writing in the particular context of the theatre. As Justice Montague Smith noted it would be "strange if not unjust" to find co-authorship in the circumstances of the case as there are probably very few instances — at least in modern times — of a play being put upon the stage without some alteration by the manager."[45] The approach in *Levy* therefore ensured that the usual activities of theatre managers, in making subsequent alterations to play scripts, would not be sufficient to find a claim to joint authorship, a result that would mean that managers could control the performance of plays at rival theatres. Indeed, giving judgment rejecting the alternative claim (that a manager's receipt could amount to an assignment of the playwright's copyright), the court expressed concern at the "inconvenient multiplication of rights and remedies which never could have been contemplated."[46]

This was also the implication of *Shelley v. Ross*, a joint authorship case tried a few weeks after *Levy*, in which Justice Hannen appeared to focus on the nature of the contribution of the purported joint author, rather than common design.[47] The sole issue in *Shelley* was whether the plaintiff became a joint author of a play entitled *Clam* through making "alterations in a dramatic piece, for the purpose of rendering it more at-

[43] *Id.* All three judges rejected this claim. As Justice Keating explained, the receipt did not amount to an assignment, it being a mere acknowledgement of the payment of money or at most an undertaking to assign which was never fulfilled. *See Levy*, (1870–71) L.R. 6 C.P. at 528.

[44] WALTER COPINGER, COPYRIGHT IN WORKS OF LITERATURE AND ART 132-33 (2d ed. 1881); WALTER COPINGER, COPYRIGHT IN WORKS OF LITERATURE AND ART 140 (London, Stevens & Haynes 3d ed. 1893); WALTER COPINGER, COPYRIGHT IN WORKS OF LITERATURE AND ART 111-12 (4th ed. 1904).

[45] *Levy*, (1870–71) L.R. 6 C.P. 530.

[46] *Id.* at 531 (Montague Smith, J.).

[47] (1870–71) L.R. 6 C.P. 531; *Bail Court, June 7*, THE TIMES, June 8, 1871, at 10.

tractive or better adapted for stage representation."[48] Justice Hannen rejected the claim: "alterations and additions . . . such as made it an acting drama" could not found a claim to joint authorship, commenting that "the stage carpenter might claim as joint author if the plaintiff's claim was admitted."[49]

As well as being explained by the particular context of the theatre, the adoption of a test that supported the position of the dramatist, reflected that there were other cases concerning authorship that were less favorable to those that composed the work: as we have seen, *Barfield v. Nicholson* and *Hatton v. Kean* instead protected the position of an "employer" who was also a senior contributor, i.e., the designer of the overall plan and scheme of a work. In the nineteenth century, these decisions coexisted with cases decided under contrasting provisions of separate legislation on artistic copyright. For instance, the Fine Arts Copyright Act 1862 contained an express provision vesting first ownership of copyright in an "employer" (as the person providing good or valuable consideration)[50] and in *Nottage v. Jackson*[51] the Court of Appeal refused to interpret "authorship" to denote "the common employer of all the artists and assistants" involved in producing a portrait photograph, "the person who conceives the idea and sends his materials and men to take it."[52] In *Nottage*, the Court of Appeal instead tied the definition of "authorship" to the process of making the work, characterizing the tasks of the employee who "superintended the arrangement, who . . . actually formed the picture by putting the people into position"[53] as activities of "originating, making, producing, as the inventive or master mind."[54]

Copyright law in the nineteenth century, therefore, spanned a number of concepts of authorship: not just those under literary and dramatic copyright legislation favorable to "employers" that planned the overall scheme of the work (e.g., *Barfield* and *Hatton*), but also concepts of authorship that privileged those who were involved in the process of making or composing the work (e.g., *Nottage* and *Levy*). These cases formed the backdrop for contrasting developments in joint authorship that began in the late nineteenth and early twentieth centuries. As we will now see, the

48 *Id.*
49 *Id.*
50 25 & 26 Vict. c. 68, § 1.
51 Nottage v. Jackson, (1882–83) L.R. 11 Q.B.D. 627 (concerning the question of who was the "author" of a *carte de visite* photograph of the Australian Cricket Team, for the purposes of the registration requirements of section 4 of the 1862 Act).
52 *Id.* at 628 (per the argument of Counsel for the claimants: Mr. Pretheram, Q.C. and Mr. Shortt).
53 *Id.* at 632 (Brett, M.R.).
54 *Id.* at 634 (Cotton, L.J.).

result was that by the early twentieth-century differences of approach had emerged between the UK and her self-governing dominions on the one hand, and the U.S. on the other hand, despite both claiming lineage from *Levy*. These are now explored in turn.

II. THE EMERGENCE OF A STATUTORY TEST: THE UK IMPERIAL COPYRIGHT ACT 1911

In the decades that followed *Levy* there were numerous attempts at legislative reform of copyright in the UK. Copyright law at that time was contained in fourteen different statutes, passed during the course of the eighteenth and nineteenth centuries, each concerning different subject matter, such as engraving, sculpture and books.[55] Reporting in 1878, the Royal Commission on Copyright concluded that copyright law was "wholly destitute of any sort of arrangement, incomplete, often obscure" and in need of reform.[56] In this more general reforming context, the question of joint authorship was raised by the Society of Authors in a number of legislative proposals put forward in the 1890s. As we will see, like *Levy*, these legislative proposals, and those that followed to the early twentieth century, again placed emphasis on the composition of the work, a stance that can be explained both by reference to the writing practices adopted by those at the head of the Society of Authors, as well as the intersection between joint authorship with more general copyright rules on the term of protection.

The Society of Authors, established in 1884 for the "furtherance of the Interests of Authors" under the presidency of poet laureate Alfred Tennyson, was then under the chairmanship of the author Walter Besant. As well as being a critic and an historian, Besant was well known for his novels written with co-author James Rice, such as *Ready Money Mortiboy*, *The Golden Butterfly* and *The Chaplain of the Fleet*. Besant and Rice began to collaborate in the early 1870s, and as Besant's obituary in the Society's magazine *The Author* explained, in the following decade: "the joint authors produced a series of novels which won them immediate popular-

[55] For example, in addition to the Dramatic Literary Property Act 1833, five Acts dealt with copyright in engravings (8 Geo. 2, c. 13 (1735); 7 Geo. 2, c. 38 (1767): 17 Geo. 3, c. 57 (1777): 6 & 7 Will. 4, c. 59 (1836); 15 & 16 Vic., c. 12, § 14 (1852), and two further Acts dealing with copyright in sculpture (38 Geo. 3, c. 71 (1798) and 54 Geo. 3, c. 56 (1814)), as well as the Fine Arts Copyright Act 1862 concerning painting, drawing and photography (25 & 26 Vic., c. 68), and the Literary Copyright Act 1842 dealing with copyright in "books" (5 & 6 Vic., c. 45).

[56] UNITED KINGDOM ROYAL COMMISSION ON COPYRIGHT, THE ROYAL COMMISSION AND THE REPORT OF THE COMMISSIONERS, at C-2036, C-2036-1 XXIV.163, 253, ¶ 17 (1878).

ity, and a permanent place in English letters."[57] It is of no surprise, then, that the Bills presented to Parliament by the Society of Authors all contained provisions on joint authorship. Indeed, "the novels of Besant and Rice" were often referred to as a paradigm example of joint authorship in the debates over the Society's proposals by the Select Committees on Copyright in the late 1890s,[58] as well as informing the understanding of authorship articulated in the first instance judgment in *Nottage v. Jackson* (which as we saw, was a case which supported a concept of authorship defined by reference to the process of composing the work).[59]

As we noted above, the existing UK statutes on dramatic and literary copyright appeared to contemplate that there might be more than one author, but did not provide any statutory guidance as to when this might arise.[60] Joint authorship provisions were also largely absent from existing local copyright legislation in the colonies,[61] the Victoria Copyright Act 1869 being a rare example that contained an interpretation clause — "the

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[57] *Sir Walter Besant*, 12 THE AUTHOR 20, 22-23 (Jan. 7, 1901); *see also* 1 VICTOR BONHAM CARTER, AUTHORS BY PROFESSION 127-28 (1978).

[58] *See, e.g*, REPORT OF THE SELECT COMMITTEE ON THE COPYRIGHT BILL (H.L.) AND THE COPYRIGHT (AMENDMENT) BILL (H.L.) 5 (1898) [hereinafter SELECT COMMITTEE ON COPYRIGHT 1898] (evidence of John Murray (Q. 31) ("a novel such as that by Besant and Rice, where nobody can tell which part is attributable to which author."); *id.* at 31 (evidence of Frederic Daldy (Q. 449) ("I speak of Besant and Rice as an instance [of joint authorship] that is very well known."); *id.* at 89 (Q. 1375) (Lord Knutsford in questioning Queen's Counsel Edward Cutler, asking whether a particular provision encompassed "joint authors, like Besant and Rice."). Later in the twentieth century, "Besant and Rice" would also be referred to as an example of what was denoted by "joint authorship" by the Gregory Committee on Copyright. *See* BOARD OF TRADE: REPORT OF THE COPYRIGHT COMMITTEE (1952) [Cmd.] 8662, ¶ 25.

[59] Nottage v. Jackson, (1883) L.T.R. 339, 341 (Field, J.) ("When I say 'one person' I do not mean to deny that it may be joint. Several persons may combine together as Mr Besant and Mr Rice . . . *The Chaplain of the Fleet* or any book of that kind."). The Court of Appeal upheld the first instance judgment.

[60] *See supra*, note 33. As we note later, joint authorship was neither referred to expressly nor indirectly (e.g., through an interpretation clause) in the statutes on artistic copyright.

[61] In particular, local copyright legislation was passed in each of the following colonies: Victoria, New South Wales, Queensland, South Australia, Tasmania, Victoria, Western Australia (all of the preceding states which were to form the Commonwealth of Australia in 1901), New Zealand, India, Canada, Newfoundland, Cape Colony, Natal and the Transvaal (the latter three states forming the Union of South Africa in 1910 with the Orange River Colony). As we see below, these states (or their successors) were represented at an Imperial Conference on Copyright in 1910 that preceded the passage of the UK Copyright Act 1911.

single number shall include the plural" — that might cover joint authorship.[62] There were, however, two exceptions: the local Copyright Acts of Canada of 1875 (and later the Acts of 1886 and 1906) and Newfoundland of 1890 provided for the subsistence of copyright in literary and artistic works for a period of twenty-eight years from publication, subject to the possibility of renewal for a further fourteen years if the "author, *or any of the authors when the work has been originally composed and made by more than one person*" was still alive at expiry of the original term.[63] Therefore, the Society of Authors' reform attempts appear to be the first concerted attempt in the UK, after the ruling in *Levy*, to formulate a statutory test for joint authorship, though preceded by local legislation passed in Canada and Newfoundland.[64]

The Society of Authors' proposals on joint authorship all stressed a contribution to the process of writing or composition.[65] For example, the

62 33 Vict., No. 350, s. 2. Interestingly, this interpretation provision was omitted from the Victorian legislation that repealed and replaced the 1869 Act, the Copyright Act 1890 (54 Vict., No. 1076). It was also absent from legislation passed in New South Wales in 1879 (42 Vict., No. 20) and South Australia in 1878 (41 & 42 Vict., No. 95) that was closely modelled on the 1869 Act.

63 Canadian Copyright Acts 1875 (38 Vict., c. 88, § 5); 1886 (49 Vict., c. 4, § 17) (emphasis added); 1906 (R.S.C., c.70, § 19); Newfoundland Copyright Act 1890, c. 110, § 16. As we see later, by 1911, the only other colony of those listed in note 61 *supra* to have passed local legislation including a provision on joint authorship was Australia.

64 A statutory test of joint authorship was included in an early draft of a copyright Bill presented to the House of Commons as part of a reform attempt that took place in the 1880s. However, this provision was soon abandoned due to the controversies relating to its application in relation to artistic copyright (discussed below) that became the focus of this initiative (the Bill being drafted by solicitor Basil Field advising the Royal Academy of Arts). *See* Copyright Bill, Bill 121, cl. 9, 1881 Parliamentary Papers [P.P.]. Like the Society of Authors' proposals of the 1890s, the test contained in the 1881 Bill stressed a contribution to the writing or composition of the work. This proved controversial in an art institutional context in which artists routinely involved pupils or assistants in the execution of their work, but neither attributed such pupils/assistants as authors nor considered them to be copyright owners. Clause 9 dealt with the latter point, providing that where one joint author was the pupil of the other, instead of joint ownership by pupil and "artist" copyright would be solely owned by the "artist."

65 Emphasis on a contribution to writing was also made by the judiciary in a number of early twentieth century cases, in which the contributors of ideas claimed to be authors of literary works, though in a number of these cases joint authorship with the person that composed the work was not claimed. In *Springfield v. Thame*, (1903) 89 L.T. 242; 19 T.L.R. 650 (Ch.), Judge Joyce accepted the argument of Thomas Scrutton, that copyright was in the "particular form of language" meaning that the newspaper article in question was authored by the sub-editor who wrote it, perhaps jointly with a second sub-editor who touched it up, and not by the journalist that provided

Bill introduced into the House of Lords by Lord Monkswell in 1890, defined "joint work" as a "book, article, essay, poem, dramatic piece or musical composition . . . *written, composed, or produced* by two or more persons and published as such."[66] A later clause provided that copyright in a joint work, in absence of agreement to the contrary shall belong "to persons by whom the same is *written or composed jointly*."[67] A later proposal supported by the Society jointly with the publisher dominated Copyright Association, introduced into the House of Lords by Lord Monkswell in 1899 and 1900, defined "joint authorship" as "a book *written* by joint authors."[68]

In addition to reflecting the paradigm of Besant and Rice, the emphasis on a contribution to writing or composition can be explained by reference to the debates on the term of protection of jointly authored works. Each of the Bills of 1890, 1899 and 1900 proposed a term of life plus thirty years linked to the life of the last surviving author.[69] The term of life plus

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the underlying story. The reasoning in *Springfield* was followed in a number of other decisions delivered in the first half of the twentieth century. *See* Bagge v. Millar, [1917–23] MacG. C.C. 179, 182 (Russell, J.) (relying on *Shepherd v. Conquest* to establish that: "mere suggestion of an idea which is then embodied by another in a dramatic work written by him does not . . . constitute the originator of the idea as an author or joint author of the dramatic work."); Evans v. E. Hulton & Co., [1923–28] MacG. C.C. 51, 56 (Tomlin, J.) (denying authorship or joint authorship status to a plaintiff who "did not take any part in producing the express matter which is the original literary work."); Donaghue v. Allied Newspapers, Ltd., [1938] Ch. 106, 109 (Farwell, J.) (finding that the author is "the person who has clothed the ideas in form)." Of these cases, only *Bagge* and *Evans* included a claim that the contributor of ideas was a joint author with the contributor of expression, the plaintiff contributors of ideas in the other cases claiming to be sole author.

66 Copyright Bill, H.L. Bill 7, cl. 5, 1890–91 Parliamentary Papers [P.P.] [hereinafter 1890 Bill] (emphasis added).

67 *Id.* cl. 18(1) (emphasis added).

68 Literary Copyright Bill, H.L. Bill 44, cl. 8, 1899 Parliamentary Papers [P.P.] [hereinafter 1899 Bill]; Literary Copyright Bill, H.L. Bill 18, cl. 8 (1900) [hereinafter 1900 Bill]. On the Society of Authors' support for this measure, see BONHAM CARTER, *supra* note 57, at 164.

69 1890 Bill, *supra* note 66, cl. 15(2); 1899 Bill, *supra* note 68, cl. 8,; 1900 Bill, *supra* note 68, cl. 8. This was also the case as regards the Bill introduced into the House of Lords in 1898 by Lord Herschell, supported by the Copyright Association. While this did not contain a definition of joint authorship, the clause on term of protection stated that in the case of a work published in the "true name" of a "plurality of authors" the term would expire thirty years after the end of the year in which the last survivor died. *See* Copyright Bill, H.L. Bill 21, cl. 2(iii), 1898 Parliamentary Papers [P.P.]. The phrase "plurality of authors" came under much criticism in the Lords' Select Committee for its wide ambit. *See, e.g.*, SELECT COMMITTEE ON

thirty years itself was seen as a significant extension of copyright compared to that provided for under the existing Acts[70] and in the debates on the term of joint authorship it was questioned whether it was "just" for a joint author to get not only "the benefit of his interest" but also "the benefit of the interest of his co-writers also."[71] In particular, concerns were raised that the joint authorship provisions might be "used for dishonest purposes."[72] As Lord Thring explained to the House of Lords' Select Committee in 1898:

> Supposing you and I were writing a book, it is perfectly possible that practically one of us may have written the whole book, and yet the other may have been put in simply for the purpose of prolonging its life. . . . by a trick it may be used dishonestly . . . .[73]

In this context, the emphasis on a contribution to writing or composition may be understood as an attempt to ensure that each co-author made a genuine contribution to the work, to guard against joint authorship being used as a "trick" for prolonging term.

The debates on term in the Select Committee of 1898 also influenced the development of another aspect of the proposed legislative scheme: the

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COPYRIGHT 1898, *supra* note 58, at 67 (Q. 1115). As Queen's Counsel Cutler, who drafted that Bill, explained in giving evidence, he considered "plurality of authors" to derive from *Levy* and in that Bill the phrase was meant to denote cases of joint authorship only. *Id.* at 89-90 (Q. 1375, Q. 1377, Q. 1382). In the Literary Copyright Bills of 1899 and 1900 "plurality of authors" was used to denote cases of multiple authorship *other* than joint authorship. This is discussed later *infra*.

70 *See, e.g.*, the comments of George Herbert Thring, the Secretary to the Society of Authors, in giving evidence to the Select Committee on Copyright in 1898. *Id.* at 155 (Q. 2424). The term of protection for both literary and dramatic copyright was governed by the 1842 Act: the longest of the life of the author plus seven years or forty-two years from first publication (sections 3 and 20 of the 1842 Act). As noted above, the 1842 Act contained no express provision on how this term applied to joint authorship, unlike the provisions on term contained in section 1 of the Dramatic Literary Property Act 1833 (see *supra*, notes 33, 37). Instead, the 1842 Act merely provided inter alia that any person in the singular, shall be understood "to include and be applied to several persons, as well as one person . . . unless there shall be something in the subject of context repugnant to such construction." In *Maclean v. Moody*, 1858) 20 Sc. Sess. Cas. 2d Ser. 1154, 1163, Lord Deas considered that the 1842 Act did contemplate joint authorship, commenting that this meant that "the life of one of them cannot be the criterion for measuring the privilege."

71 For example, this was raised by Lord Thring in questioning the publisher Frederic Daldy giving evidence to the House of Lords Select Committee on Copyright 1898. SELECT COMMITTEE ON COPYRIGHT 1898, *supra* note 58, 30-31 (Q. 432).

72 *Id.* Q. 434.

73 *Id.* Q. 435, Q. 438.

requirement that each author's contribution is "not distinct." A term of protection tied to the life of the last surviving author was only seen as just in cases where it was "impossible . . . to decide which has written which part"; "to deal with the cases that you cannot distinguish" between contributions.[74] By contrast, such a term could not be justified in a case where every author's contribution is "perfectly separate and distinct."[75] Hence the Literary Copyright Bills of 1899 and 1900 contrasted "joint authorship" to cases of "plurality of authors" where "a book is written in distinct parts by different authors." Unlike joint authorship where the term was linked to the last surviving author in the case of "plurality of authors" the Bills of 1899 and 1900 provided that "each author shall be entitled to the portion written by him in the same manner as if it were a separate book."[76]

The reform attempts of the turn of the century failed, and the next impetus for reform was not until after the revision of the Berne Convention on Copyright of 1908. The resulting Copyright Act 1911,[77] which repealed and replaced the then twenty-two subject specific statutes with a single copyright code applying to all copyright works, set out a test for joint authorship in the following terms: "a work of joint authorship" means a work produced by the collaboration of two or more authors in which the contribution of one author is not distinct from the contribution of the other author or authors."[78]

This definition encompassed a number of the aspects of joint authorship which had been worked out in the debates of the previous decades: the requirement of "collaboration" may stem from the test of common design in *Levy*, and need for a contribution to be "not distinct" from the statutory debates of the late 1890s. The term of protection however was differently formulated: either a term of the life of the last surviving author, or a term of the life of the author who first dies plus fifty years, whichever was longer.[79] While this was different from previous proposals, the provi-

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[74] *Id.* Q. 443 (Viscount Knutsford to Frederic Daldy).

[75] *Id.* Q. 441 (Lord Monkswell).

[76] 1899 Bill, *supra* note 68, cl. 9; 1900 Bill, *supra* note 68, cl. 9.

[77] 1 & 2 Geo. 5., c. 46.

[78] Copyright Act 1911 § 16(3). This test was included in each of the Copyright Bills of 1911. *See* Cl. 16(3) of each of the following Copyright Bills: Bill 149, 1911 Parliamentary Papers [P.P.]; Bill 296, 1911 Parliamentary Papers [P.P.]; H.L. Bill 191, 1911 Parliamentary Papers [P.P.]; H.L. Bill 227, 1911 Parliamentary Papers [P.P.]. There was no definition of joint authorship in the 1910 Copyright Bill (Bill 282, 1910 Parliamentary Papers [P.P.]), introduced to prepare the ground for the Bills that were to follow in 1911.

[79] The provision on the term of protection contained in the 1911 Act first appeared in the Bill of 1910, and was retained in each of the Bills of 1911. 1910 Bill, *supra* note 78, cl. 19(1); 1911 Bills *supra* note 78, cl. 16(1)). Article 7 of

sion on term stemmed from debates in the Imperial Copyright Conference of 1910, which reflected earlier concerns with neither over nor under-compensating each co-author. As Lord Tennyson, representing Australia,[80] explained to the Conference which comprised representatives of inter alia the self-governing dominions of New Zealand, South Africa and Canada, the objective of ensuring all joint authors were adequately protected (e.g., by ensuring that the term did not expire during their lifetime) had to be balanced against the need to "prevent fraud." Mr. Temple Franks of the UK Board of Trade warned that were a different solution adopted a "very young author . . . might be fraudulently joined in many cases" for no other reason than to prolong the term.[81]

In another respect, however, the 1911 Act (like the Bills of 1910 and 1911 that preceded it) differed radically from the case law and legislative proposals of the previous decades. As we have seen, the history of joint authorship in the late nineteenth and turn of the twentieth century lay with cases and legislative proposals exclusively concerning literary and dramatic copyright. While obiter dicta in one case suggested that the judiciary would read joint authorship provisions into the Fine Arts Copyright Act 1862,[82] the lack of reference to multiple authors in the Act's provi-

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the Berlin revision of the Berne Convention required countries of the Union to provide a term of protection of the life of the author plus fifty years, but remained silent on the question of joint authorship.

80 Interestingly, some five years earlier the Commonwealth of Australia enacted local copyright legislation that provided for a term in the case of jointly authored works based on a period after the life of the *last* surviving author. Australian Copyright Act 1905 No. 25, s. 17(3). However, this was for a shorter term (forty-two years or the life of the last surviving author plus seven years) and therefore perhaps was not seen as giving rise to the concern about fraud voiced by Australia's representative at the 1910 conference noted above. The Australian legislation of 1905, along with that passed by Canada and Newfoundland (see *supra* note 63), are the only examples of local copyright statutes that refer to joint authorship passed before 1911 by the colonies listed at note 61 above.

81 MINUTES OF PROCEEDINGS OF THE IMPERIAL COPYRIGHT CONFERENCE, 1910, UK National Archives CO 886/4/4, at 120-21. In the context of ensuring that the term of protection was not too long, Sir H. Llewelyn Smith, advising the Board of Trade, gave the example of scientific text books which are "kept up to date with new additions" where it was common for "a veteran" to bring in "a youngster fresh from university, who devils the thing up and it appears under joint names." The proposal for a term of whichever was longer of the life of the last surviving author or fifty years after the life of the author who first dies, was agreed by the Imperial Conference (at 200) and contained in the Memorandum of the conference proceedings which was issued as a Parliamentary Paper. *See* IMPERIAL COPYRIGHT CONFERENCE 1910, MEMORANDUM OF PROCEEDINGS, 1910 Parliamentary Papers, Cd. 5272, at 7, ¶ 7(d).

82 Kenrick v. Lawrence, (1890) 25 Q.B.D. 99, 106.

sions[83] caused Master of the Rolls Brett to question this in the Court of Appeal case of *Nottage v. Jackson*.[84] Further, the absence of the issue of joint authorship in the legislative proposals and debates on artistic copyright is striking, particularly in the debates of 1899 and 1900, in which Artistic Copyright Bills were considered alongside the Literary Copyright Bills by the same parliamentary Select Committees.[85] An explanation for this may well lie with controversies surrounding the use of assistants by artists in the late nineteenth century to "aid in the execution of original works," which sat uneasily with an art market that valued art "according to the hand that painted it."[86] Therefore, while the Society of Authors was formulating a test of joint authorship in the 1890s which stressed contributions to writing or composition, the same test might have thrown up difficulties for the very different art institutional context in which painters operated, which dominated the debates on artistic copyright during the same period.[87]

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[83] Unlike the Dramatic Copyright Act 1833, the 1862 Act did not contain a reference to "the author or authors or survivor of the authors" in the provision on term, neither did it contain an interpretation clause, as in the case of the Literary Copyright Act 1842, which stated that a reference to a person in the singular would denote the plural. These provisions are discussed *supra*, note 33.

[84] (1882–83) L.R. 11 Q.B.D. 627, 631 ("Here you have . . . two gentlemen stated to be authors. Can two people be the authors of a photograph? It is difficult to say, but if they are, for whose life is it to last? For the life of one of them, or for the life of the longest liver or what?"). While Lord Justice Bowen did accept that the 1862 Act might be interpreted to allow for joint authorship, he considered this to be a matter which was not in the contemplation of the legislators who drafted the legislation: "the person who drew this section evidently thought that in ninety nine cases out of a hundred there would be only one author. The idea of there being two authors seems never to have presented itself to him . . . . Whoever drew this section did not . . . imagine, apparently, the case of an author being more than one person." *Id.* at 637-38. These statements were cited in a contemporary treatise on copyright by John Shortt (who had appeared as Counsel for the plaintiffs in *Nottage*), which presented Master of the Rolls Brett as having "seemed to doubt whether the author must not be a single person." JOHN SHORTT, THE LAW RELATING TO WORKS OF LITERATURE AND ART 127 (London, Reyes & Turner 2d ed. 1884).

[85] *See* Artistic Copyright Bill, H.L Bill 45; and Artistic Copyright Bill, H.L. 19, 1900 Parliamentary Papers [P.P.]. It is also noted that the provisions on "joint authors" in the local Australian Act of 1902 ss. 17(3), 19, discussed at *supra*, note 80) applied only to literary, dramatic and musical copyright, and not to artistic copyright.

[86] *See* DELABERE ROBERTON BLAINE, ON THE LAWS OF ARTISTIC COPYRIGHT AND THEIR DEFECTS 28 (London, John Murray 1853).

[87] The joint authorship status of pupils or assistants arose in one example given by Queen's Counsel Edward Cutler, in discussing the joint authorship pro-

As well as applying to all copyright subject matter, the 1911 Act's test of joint authorship also operated throughout the Empire, being adopted by the UK's self-governing dominions.[88] Whereas the mid-twentieth century would see change to the 1911 Act's approach to the term of jointly authored works (since the Brussels revision in 1948 the Berne Convention has required signatories to provide a term of fifty years from the death of the last surviving author),[89] as we have seen, the substantive test of joint authorship set out in the 1911 Act is contained in the current UK copyright legislation.[90]

III. LEVY V. RUTLEY *IN THE U.S.*

While the UK and its self-governing dominions had a statutory test of joint authorship by the early twentieth century, the contemporaneous U.S. Copyright Act passed in 1909 contained no such provision. The story of joint authorship doctrine in the U.S. was instead one of judicial development. The key case in this regard was *Maurel v. Smith* decided in 1915 by Judge Learned Hand then sitting in the U.S. Southern District Court of New York.[91] As we will now see, while Judge Hand drew on *Levy v. Rutley*, which was the sole authority on joint authorship cited in the existing U.S. copyright treatises,[92] he did so in conjunction with an interpretation of another nineteenth century English case which was discussed above: *Hatton v. Kean*.[93] This set the foundations for a U.S. approach to joint authorship that differed from that taken by the UK and those countries that were part of her dominions in 1911.

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visions on literary and musical copyright before the 1898 Select Committee: the Twelfth Mass by Mozart, "where he wrote the Credo, the rest being done by his pupils." Queen's Counsel Cutler was of the view that this would be a case of joint authorship on the part of Mozart and his pupils. *See* SELECT COMMITTEE ON COPYRIGHT 1898, *supra* note 58, at 23 (Q. 1380). *See also* 33 Vict. No. 350, s. 2.

88 *See, e.g.*, Canadian Copyright Act 1927§ 2(k); New Zealand Copyright Act 1913 s. 22(3); Australian Copyright Act 1912 s. 12.

89 Art. 7*bis*. This standard had been set out in Article 7*bis*(1) of the previous revision of the Convention, at Rome in 1928, but Article 7*bis*(2)–(3) went on to provide for reciprocity where a Union country granted a lesser term of protection (the minimum permissible term being the life of the last surviving author).

90 *See supra*, note 3.

91 220 F. 195 (S.D.N.Y. 1915).

92 *See* EATON DRONE, A TREATISE ON THE LAW OF PROPERTY IN INTELLECTUAL PRODUCTIONS IN GREAT BRITAIN AND THE UNITED STATES 237 (Boston, Little, Brown & Co. 1879); R.R. BOWKER, COPYRIGHT, ITS HISTORY AND ITS LAW: BEING A SUMMARY OF THE PRINCIPLES AND PRACTICE OF COPYRIGHT 101 (1912).

93 *See supra* notes 24-30 and accompanying text.

Maurel v. Smith concerned a comic opera called *Sweethearts*, to which the plaintiff had contributed the scenario and the defendants the lyrics/libretto. Reviewing the law on joint authorship, Judge Learned Hand said he had "been able to find strangely little law regarding the rights of joint authors of books or dramatic compositions."[94] Indeed, the "only case in the books in which the matter appears to have been discussed" was *Levy v. Rutley*, and Judge Hand cited dicta from the judgments of Justice Keating[95] and Justice Montague Smith,[96] which expressed joint authorship as requiring an agreement to write a work amounting to a common design. On the facts of *Maurel,* this was held to be satisfied because the parties' contributions had been made on the basis of an agreement that they were joint authors of the opera.

Judge Hand then went on to consider whether joint authorship would apply where a contribution was separately composed, as in the case of the lyrics to *Sweethearts.* He concluded "whatever their origin, in their presentation, the whole was single" and the subsequent separate publication of contributions would also "not break this original unity, because it is impossible to say how much of their vogue was due to them alone, and how much to their presentation along with the opera as a whole."[97] Interestingly, in support of this position, Judge Hand looked to the English case of *Hatton v. Kean*, citing it as authority for the proposition that "one who contributes to such a joint production does not retain any several ownership in his contribution, but that it merges into the whole."[98] Of course, it will be recalled from the discussion above, that *Hatton* was not a case on joint authorship; rather the Court of Common Pleas had used the analysis of "merger into a whole" to support a finding of sole authorship by an "employer" who had determined the overall design and plan of the work.[99] Drawing these points together, Judge Hand concluded that "com-

94 220 F. at 199.

95 "If two persons undertake jointly to write a play, agreeing on the general outline and design and sharing the labour of working it out, each would be contributing to the whole production, and they might be said to be joint authors of it; but to constitute joint authorship there must be a common design." (1870–71) L.R. 6 C.P. 523, 529 (Keating, J.).

96 "But I take it that, if two persons agree to write a piece, there being an original joint design and the co-operation of the two in carrying out that joint design, there can be no difficulty in saying they are joint authors of the work, though one may do a larger share than the other." *Id.* at 530 (Montague Smith, J.)

97 *Maurel*, 220 F. at 200.

98 *Id.* at 201.

99 *See supra* notes 24-30 and accompanying text. It is interesting to note that by the second decade of the twentieth century, *Hatton* would be reinterpreted in *Copinger* (published 1915) as a case relevant to "authorship" of "collective works," a new category of copyright work introduced by the 1911 Act.

mon design, mentioned in *Levy v. Rutley*" arose where contributors "knowingly engage in the production of a piece which is to be presented originally as a whole only . . . ."[100]

Judge Hand's decision in *Maurel*, which is today seen as the U.S. origin on joint authorship, on the one hand, evidences similarity with contemporaneous UK developments: the emphasis on the common design test from *Levy*, gave joint authorship in the U.S. and UK a common root. This was, therefore, neither an instance of courts throwing off "old legal chains" nor deliberately "expressing their freedom" in adopting an equally reasonable divergent approach for its "own sake."[101] On the other hand, Judge Hand's dicta in *Maurel* laid the foundations for a significant difference in U.S. and UK approaches. As we saw above, in the UK, the legislative debates about the justice of granting one co-author the "benefit" of a term based on the last surviving co-author's life, had resulted in joint authorship being drawn in narrower terms, applying only in situations where the contributions could not be separated and resulted in the statutory requirement that the contributions be "not distinct." By contrast, in *Maurel*, the concern about how to attribute the popularity of one contribution to that of another produced a test that focused on presentation to the public, thereby applying joint authorship to a wider set of circumstances.

In part this may reflect differences in the broader framework of U.S. copyright rules: the arguments relating to term that had influenced developments in the UK were irrelevant in the context of U.S. copyright where term was instead calculated exclusively by reference to a term of years from publication.[102] Instead, Learned Hand's emphasis on the "presentation" of the work to the public appears to be motivated by the rules governing the inter-relation of statutory copyright and rights in unpublished works: the effect of publication by the defendants, opined Judge Hand, was to destroy rights at common law in the whole opera, so it was equitable that the resulting statutory property should be jointly owned by the plaintiff.[103] Further, the ground for future differences may have been prepared by the Circuit Court decision affirming Judge Hand's decision; this cited the general principle of joint authorship set out in Walter Copinger's UK treatise.[104] It will be recalled that Copinger fleshed out this general

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As explained in note 30 *supra* this envisaged that individual contributions might attract separate copyright, as works in their own right, alongside copyright in the collective work as a whole. This interpretation of *Hatton* is therefore in contrast to its contemporaneous interpretation by Judge Hand *Maurel* in shaping the different category of joint authorship.

100 *Maurel*, 220 F. at 199.

101 NG, BENTLY & D'AGOSTINO, *supra* note 1, at 6-7; *see also supra*, note 17.

102 Copyright Act 1909, ch. 320, § 23, 35 Stat. 1075, 1080.

103 *Maurel*, 220 F. at 201.

104 271 F. 211, 215 (2d Cir. 1921).

principle by reference to the report of *Levy* in *The Law Times Report*, as a test of intention to co-authorship, unlike the *Law Report* version of the case which was to be cited by courts in other common law jurisdictions.[105]

In the decades that followed, *Maurel* came to be applied by the U.S. courts so as to develop the dicta deriving from Judge Hand's reading of *Hatton*, that is "merger into a whole," into a test of intention. While *Levy* continued to be cited, it was the test of "intention to merge into a whole" that came to delineate the ambit of "common design." For example, in *Edward B. Marks Music Corp. v. Jerry Vogel Music Co.*, Judge Hand, now sitting as a circuit judge, after citing the test of "joint labouring in furtherance of a common design" from *Levy*, held that this was satisfied where joint authors "mean their contributions to be complementary in the sense that they are to be embodied in a single work to be performed as such."[106] Consequently, where the plaintiff composed words that were intended to be the words of a song, he became a joint author with a composer who subsequently, without the plaintiff's knowledge, set the words to music.

This principle also came to be applied and extended in a later case, *Shapiro Bernstein & Co. v. Jerry Vogel Music Co.*,[107] to find co-authorship between composer and lyricist in a case where a lyricist set words to pre-existing music, the music having been originally written by a composer in collaboration with another lyricist. In those circumstances, it was held that the composer and second lyricist were joint authors of a new work. Judge Swan, with whom the other judges of the Second Circuit (including Judge Hand) agreed, held that it was immaterial to the finding of joint authorship between composer and second lyricist that the composer's original intention to have his music combined with the words by the first lyricist was realized, the relevant intent instead being the composer's more general intention for the music to be combined with words. The principle was extended yet further in a case concerning the same parties, decided a decade later. In that case, the Second Circuit held that the relevant intention, that is "intent . . . to merge the two contributions into a single work, to be performed as unit for the pleasure of hearers" was to be measured at the time the second contribution was made.[108] Further, the relevant intent was on the part of the author where s/he remained the copyright owner, but on the part of the copyright *owner* where copyright had been assigned.

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105 The passage in Copinger referring to dicta from *Levy* as including a test of intention to co-authorship (see *supra*, note 44 and accompanying text) immediately preceded the passage cited by the Circuit Court.

106 140 F.2d 266, 267 (2d Cir. 1944).

107 161 F.2d 406 (2d Cir. 1946).

108 Shapiro, Bernstein & Co., Inc. v. Jerry Vogel Music, 221 F.2d 569, 570 (2d Cir. 1955).

In the U.S. therefore, the test of "common design" in *Levy* was interpreted by the judiciary as an intention on the part of the author or subsequent owner, for the contribution to be merged into a whole. As the U.S. Southern District Court of New York noted in *Picture Music, Inc. v. Bourne, Inc.*, the result of these cases was that: "No longer does there seem to be required a pre-concerted common design or active collaboration. It is now sufficient if there be any 'fusion of effort . . . .'"[109] This contrasts to the statutory test contained in legislation in the UK and her self-governing dominions, in which "common design" had become a test of "collaboration."

These early differences in approach can be explained by the U.S. courts considering the intersection between the consequences of a finding of joint authorship for the cultural context within which litigation most commonly arose: popular songs. By the early twentieth century, the U.S. and the UK conceived of the consequences of co-ownership differently. While in both the U.S. and UK, it was accepted that co-owners owned as tenants in common, in the UK this was understood to necessitate consent on the part of *all* co-owners to exploitation. As Master of the Rolls Jessel explained in *Powell v. Head*, another action for penalties under the Dramatic Copyright Act 1833 decided a few years after *Levy*, "where there are two proprietors, the one cannot represent without the consent of the other proprietor."[110] By contrast in the U.S. there was authority that a co-owner was free to exploit the work without the other co-owners" consent.[111] In developing the test of intention to merge into a whole, the U.S.

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[109] 314 F. Supp. 640, 646 (S.D.N.Y. 1970) (Pollack, J.) (quoting GEORGE D. CARY, JOINT OWNERSHIPS OF COPYRIGHT 689 (1963)).

[110] Powell v. Head, (1879) 12 Ch.D. 686, 689-90 (Jessel, M.R.), *approved*, Lauri v. Renad, [1892] 3 Ch. 402, 412 (Kekewich, J). The approach in *Powell* and *Lauri* was followed by Judge Rowlatt under the 1911 Act in *Cescinsky v. Routledge*, [1916] 2 K.B. 325, 329.

[111] *See* Carter v, Bailey, 64 Me. 458, 463-54 (1874) (Virgin, J.) (stating that during the copyright term: "All others within that period, having no license from [the co-owners] *or some one of them* are excluded. Each can exercise his own right alone . . . if none be allowed to enjoy his legal interest without the consent of all, then one, by withholding his consent, might practically destroy the value of the whole use. And a use only upon condition of accounting for profits, would compel a disuse . . . .") (emphasis added). *See also* ARTHUR W. WEIL, AMERICAN COPYRIGHT LAW: WITH SPECIAL REFERENCE TO THE PRESENT UNITED STATES COPYRIGHT ACT 254 § 693, at 253, § 1523, at 547 (1917). Weil stated, relying on *Carter v. Bailey*, that it was not even necessary for a co-owner to account to the other co-owners' for their share of the profits of exploitation. However, cases like *Maurel v. Smith* illustrate that the obligation to account to other co-owner(s) would arise in cases where the courts found an agreement to that effect. *See also* Note, *Accounting Between Co-owners of a Copyright*, 48 COLUM. L. REV. 421, 422 (1948). As regards the significance of the consequences of co-ownership in

courts favored a policy of facilitating the exploitation and dissemination of copyright works, more particularly popular songs where lyrics and music were generally exploited together. As Judge Smith reasoned in the second *Shapiro Bernstein* case, to deny joint authorship would be to leave the authors with "a barren right in the words of a worthless poem, never intended to be used alone" concluding that: "Such a result is not to be favored."[112] This was a point also raised by Judge Hand in *Edward B. Marks*:

> To allow the author to prevent the composer, or the composer to prevent the author, from exploiting that power to please, would be to allow him to deprive his fellow of the most valuable part of his contribution; to take away the kernel and leave him only the husk.[113]

The different consequences of co-ownership in the UK, which required the consent of all the co-owners to exploitation, meant that in the UK joint authorship could not be used to fulfil this objective.[114]

In subsequent cases, the broad interpretation of the test of intent came under criticism in particular because the original author would benefit from a new term of protection whenever there was a subsequent "fusion of effort."[115] The first statutory test of joint authorship in the U.S. was, in part, a response to these difficulties. This was contained in the Copyright Act 1976 that continues to apply in the US, and defined a "joint work" as "a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole."[116] Therefore, while the test of intention to merge into a whole remained the "touchstone" of joint authorship,[117] the statute made clear that intent was on the part of the authors and to be measured at the time the work was prepared.

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the U.S. for the comparative law of co-authorship today, see M. Perry & T. Margoni, *Ownership in Complex Authorship: A Comparative Study of Joint Works*, 34 EIPR 22 (2012) (comparing the U.S. approach to a civil law jurisdiction: Italy).

112 *Shapiro*, 221 F.2d at 570.

113 Edward B. Marks Music Corp. v. Jerry Vogel Music Co., 140 F.2d 266, 267 (2d Cir. 1944).

114 This difference aside, it is noteworthy that the U.S. cases developing common design into a test of intention to merge into a whole, all concerned the words and music of a song. In the UK, such facts did not give rise to the question of joint authorship, due to the UK's different concept of the "work," which separated the lyrics into a "literary work" and music into a "musical work."

115 *See* Picture Music, Inc. v. Bourne, Inc., 314 F. Supp. 640, 646 (S.D.N.Y. 1970).

116 17 U.S.C. § 101 (2012).

117 H.R. Rep. No. 1476, at 120 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5736; S. Rep. No. 473, at 103-04 (1975), *cited in* Childress v. Taylor, 945 F.2d 500, 505 (2d Cir. 1991).

IV. CONCLUSION

This article has explained the development of distinct tests for joint authorship in two common law jurisdictions from the common root of *Levy v. Rutley*. While *Levy* formed a shared starting point, the foundations for the emergence of divergence were set by the early twentieth century, as joint authorship came to be shaped by concerns informed by particular frameworks of national copyright rules (e.g., term, the circumstances leading to loss of protection of common law, and the consequences of co-ownership) as considered in relation to the norms of specific cultural sectors that dominated the fora in which the implications of joint authorship were debated and considered (literature in the UK and popular music in the U.S.). In this way, in situating the story of joint authorship within the context of wider differences in national rules and the cultural contexts in which they were considered, the research contained in this article contributes to a broader picture of historical diversity in UK and U.S. copyright law. This supports the thesis that the story of "fracture" noted in *The Common Law of Intellectual Property*, is not one restricted to recent times.

How might the comparative historical experience uncovered in this article enable us critically to reflect on joint authorship in the U.S. and UK today? As regards the U.S., at a first glance, history might seem of little relevance to the present: in *Childress*, a leading case on joint authorship, the U.S. Second District Court considered *Levy* to be nothing more than "useful in pointing an inquiry in the right direction."[118] However, this point aside, some more general observations can be made, using history as a standpoint for reflecting on aspects of the current U.S. law on joint authorship. On the one hand, there is some continuity between U.S. approaches today and early English case law of the nineteenth century in terms of the types of factors that shape differences in joint authorship. For example, both in the nineteenth century and today the ambit of joint authorship has been influenced by rules vesting authorship and ownership in employers. Just as the ruling in *Levy* defined joint authorship so as not to undermine the limits on the vesting of copyright ownership in employers in *Barfield* and *Hatton*, so in the U.S. in more recent times, case law restricting the ambit of joint authorship is frequently explained by a change in legislative policy with the passage of the Copyright Act 1976, narrowing the circumstances in which copyright vests in employers.[119] Similarly, unlike other areas of law where the U.S. constitutional provision has resulted in different types of consideration shaping U.S. law, in joint authorship

118 *Childress*, 945 F.2d at 504.

119 *See generally* Mary LaFrance, *Authorship, Dominance and the Captive Collaborator: Preserving the Rights of Joint Authors*, 50 EMORY L.J. 193 (2001).

parallels can be noted between the concerns noted in *Levy* and current U.S. decisions, which define "co-authorship" in a manner that takes into account its implications for the cultural domain.[120] Therefore, while the story of fracture between U.S. and UK approaches may have a long history, there is continuity in the types of factors that impact on the courts' interpretation of joint authorship in the past and present.

In other respects, the nineteenth century experience highlights ways in which the current U.S. approach differs from the past: history provides a basis for critical reflection on how the courts utilise nineteenth century authorities today. For example, a leading case decided by the U.S. Ninth Circuit District Court is *Aalmuhammed v. Lee*,[121] and this has been criticised as favoring the position of senior collaborators.[122] In that case, the plaintiff, a consultant on Islamic issues, who claimed to have inter alia written scenes relating to a Hajj pilgrimage, was not a joint author of the film *Malcolm X* with director Spike Lee, as "control" was an index of "authorship" and the plaintiff's contribution was subject to Spike Lee's approval. Interestingly, in reaching this conclusion, the court drew on dicta from the English nineteenth century case of *Nottage v. Jackson*, which was cited by the U.S. Supreme Court in *Burrow Giles Lithographic Co. v. Sarony*: that an "author" is the person who "superintended the arrangement" by "actually [forming] the picture" or the "originating, making, producing, as the inventive or master mind, the thing which is to be protected."[123] Yet, it will be recalled that in *Nottage*, the Court of Appeal used this reasoning to tie "authorship" to the process of making the work, in contrast to the concept of authorship in *Barfield* and *Hatton* that

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120 *See* the discussion regarding *Levy*, see *supra*, notes 45-46; *see also* Aalmuhammed v. Lee, 202 F.3d 1227 (9th Cir. 2000) (regarding the constitutional provision which states that copyright has an important role to play in promoting artistic progress: "Progress would be retarded rather than promoted, if an author could not consult with others and adopt their useful suggestions without sacrificing sole authorship of the work. Too open a definition of author would compel authors to insulate themselves and maintain ignorance of the contributions others make . . . the arts would be the poorer for that.").

121 *Aalmuhammed*, 202 F.3d at 1227. In the Ninth Circuit, the factors that inform the "intention to co-authorship" test applied in *Childress* are instead considered to inform a requirement that each contributor is an "author." *See id.* at 1233-34 ("Although the Second and Seventh Circuits do not base their decisions on the word "authors" in the statute, the practical results they reach are consistent with ours.").

122 *Id.* Peter Jaszi is thanked for drawing attention to this consequence of the U.S. approach in the discussions on joint authorship at *Creativity That Counts*, the final conference of the HERA funded project *Of Authorship and Originality* hosted by the University of Amsterdam in April 2013.

123 *See supra*, notes 51-52 and accompanying text.

favoured senior contributors that determine the overall plan and scheme of the work.[124] Accordingly, in *Aalmuhammed,* the effect of the reasoning in *Nottage* is altered from how it was understood in the nineteenth century: the definition of an "author" as "the person to whom the work owes its origin and who superintended the whole work, the 'master mind'" instead "would generally limit authorship to someone at the top of the screen credits . . . someone who has artistic control."[125] In this way, the historical research in this paper might suggest ways in which dicta stemming from *Nottage* could be interpreted differently today, providing a basis to overcome the bias towards senior collaborators by instead requiring courts to focus on the process of making the work.

Turning to the implications of this paper for the law in the UK, unlike the position in the U.S., *Levy* continues to be drawn on by the courts to shape the substance of aspects of joint authorship doctrine.[126] Ironically, viewed from a purely doctrinal perspective, this article might support greater convergence between common law approaches: it provides some basis for revisiting the role for "intention" in the UK test of joint authorship which, as we saw at the outset, is today a key point of divergence between U.S. and UK approaches.[127] Whereas the UK courts today have interpreted *Levy* to be authority for the irrelevance of intention to the UK test of joint authorship, this overlooks that at least one law report of *Levy*, that *did* provide a role for "intention," a position that was also reflected in the copyright treatises of that time.[128]

However, when it comes to explaining the future of UK joint authorship law, historical precedents shared by common law countries seem increasingly irrelevant; the increasing influence of regional harmonization initiatives on copyright policy, such as those in Europe, instead promote convergence between jurisdictions on a regional basis, spanning countries of both the common and civil law tradition.[129] Indeed, points of conver-

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124 *See supra*, notes 53-54 and accompanying text.

125 *Aalmuhammed*, 202 F.3d at 1233.

126 *See supra*, note 15.

127 *See supra*, notes 11-12 and accompanying text.

128 *See supra*, notes 42-44 and accompanying text.

129 Whereas European legislative harmonization regarding joint authorship is confined to aspects of the specific case of cinematographic and audio-visual works (Article 2(1) of the Term Directive 2006/116/EC and Article 2(2) of the Rental Directive 2006/115/EC require EU member states to recognise the "principal director of a cinematographic or audiovisual work" as its author or one of its co-authors), European jurisprudence has developed a common approach to the concept of "originality" (see above note 9) which may well influence, for example, how the UK joint authorship test is to be interpreted, e.g., the limb relating to the nature of the contribution, which includes a requirement that this is "significant and original." Godfrey v. Lees, [1995] EMLR 307, 325 (Blackburne, J.).

gence between common law jurisdictions today often arise despite the regional influences at play, rather than because of shared precedents.[130] Accordingly, rather than promoting convergence, the comparative historical research in this article in fact may go some way to contribute to a way of thinking that results in further fracture in the common law world, by raising more fundamental questions about the utility of notions of "traditions" in structuring thinking about copyright, whether as an explanation for existing differences between national laws or in setting parameters for their future direction.[131]

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130 For example, in the late 1990s, while the judiciary in the UK was developing the criterion requiring a contributor to exercise the "right kind of skill and labor," Australian and New Zealand courts were instead focusing on the need for collaboration, the joint authorship enquiry merely requiring contributors to show they had made a "joint effort" or "input." *See* Land Transp. Safety Auth. of New Zealand v. Glogau, [1999] 1 NZLR 261; Milwell Pty., Ltd. v. Olympic Amusement Pty., Ltd., (1999) 85 FCR 436, 446-47. As regards the latter decision, joint authorship was established merely by showing "joint effort" as part of a "collaborative exercise." That case involved the compilation of words and numbers as prize scales of poker video games by mathematicians and employees of the respondent (a manufacturer of video games). Interestingly, the sole UK authority cited by the Court on the issue of joint authorship was *Cala Homes*, there being no reference to UK case law developing the "right kind of skill and labor" requirement, the decision of Justice Laddie in *Fylde* decided a year before *Milwell*. The greater affinity between the Australian and UK courts' approach on this issue today stems from Australian courts responding to the Australian High Court ruling in *Ice TV Pty., Ltd. v. Nine Network Pty., Ltd.*, [2009] HCA 14.

131 For an example of a recent study that places notions of tradition at the heart of national differences in intellectual property law see TOSHIKO TAKENAKA, INTELLECTUAL PROPERTY IN COMMON LAW AND CIVIL LAW (2013). The thesis of this work is that the "two traditions" of common and civil law "still exert powerful and divergent influences" on national intellectual property laws. *See* Preface, at ix.

HOW SHOULD THE AMERICAN FIRST-SALE DOCTRINE BE DEVELOPED IN LIGHT OF NEW DIGITAL DISTRIBUTION TECHNOLOGIES FOR COPYRIGHTED WORKS? A CRITICAL EVALUATION OF THE EXTENT OF AND JUSTIFICATIONS FOR AUTHORS' EXCLUSIVE DISTRIBUTION RIGHTS IN SECOND-HAND MARKETS FOR DIGITAL WORKS IN THE UNITED STATES

by SOFIA RITALA*

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I. INTRODUCTION

The first-sale doctrine is a restriction[1] on authors' exclusive right to distribute copies and phonorecords[2] in copyright law.[3] It allows the lawful owner of a copy of a copyrighted work to resell or otherwise dispose of that copy, without breaching the distribution right.[4] The doctrine does not restrict authors' other rights, such as the reproduction right.[5] The doctrine was first created by the judiciary,[6] but it was codified soon after,[7] and has now existed in the Copyright Act for over a century, currently in § 109. Part II of this article traces the early history of the first-sale doctrine.

However, copyrighted works are increasingly being distributed digitally,[8] and because of this transformation in the market, the extent of the applicability of the doctrine has been disputed.[9] In 2001, the Copyright Office concluded that the first-sale doctrine did not apply to digital copies, due to the reproduction right inevitably being breached by digital transmission.[10] This line of reasoning was followed by the court in the Southern District of New York in 2013, when Capitol Records sued a service provider, ReDigi, claiming that its "pre-owned digital marketplace" infringed copyrights.[11] ReDigi's novel digital distribution service, which essentially attempted to benefit from the first-sale doctrine in relation to digital, intangible copies, was held to be unlawful, primarily because transmitting the "used" digital copies to consumers through ReDigi's cloud

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1 *See* DEP'T OF COMMERCE INTERNET POL'Y TASK FORCE, COPYRIGHT POLICY, CREATIVITY, AND INNOVATION IN THE DIGITAL ECONOMY 35 (2013) [hereinafter COPYRIGHT POLICY].

2 For simplicity, any references in this paper to "copies" means "copies and phonorecords," unless otherwise specified.

3 17 U.S.C. §§ 109(a) (2012).

4 *Id.*

5 *Id.* § 109.

6 *See* Bobbs-Merrill Co. v. Straus, 210 U.S. 339 (1908).

7 *See* Copyright Act of 1909, ch. 320, 35 Stat. 1035.

8 *See* COPYRIGHT POLICY, *supra* note 1, at 1. 37.

9 *See, e.g.*, U.S. PATENT & TRADEMARK OFFICE, DEPARTMENT OF COMMERCE PUBLIC MEETING: COPYRIGHT POLICY, CREATIVITY AND INNOVATION IN THE DIGITAL ECONOMY (2013) (podcast on Digital First Sale Doctrine) [hereinafter COPYRIGHT POLICY] *available at* http://new.livestream.com/uspto/copyright); Sherwin Siy, *Copies, Rights & Copyrights: Really Owning Your Digital Stuff*, PUBLIC KNOWLEDGE (2013), *available at* https://www.publicknowledge.org/files/CopiesRightsCopyrightsPKThinks2013.pdf; Aaron Perzanowski & Jason Schultz, *Digital Exhaustion*, 58 UCLA L. REV. 889 (2010); Evan Hess, *Code-ifying Copyright: an Architectural Solution to Digitally Expanding the First Sale Doctrine*, 81 FORDHAM L. REV. 1965 (2013).

10 U.S. COPYRIGHT OFFICE, DMCA SECTION 104 REPORT 97 (2001), *available at* http://www.copyright.gov/reports/studies/dmca/sec-104-report-vol-1.pdf.

11 Capitol Records, LLC v. ReDigi Inc., 934 F. Supp. 2d 640 (S.D.N.Y. 2013).

server entailed reproduction of the work, hence infringing § 106(1) of the Copyright Act.[12]

There are, thus, evident problems relating to the application of the wording of § 109(a) to the distribution of intangible copies through new digital distribution methods that enable digital resales. In addition to the reproduction issue, the increased practice of licensing — as opposed to selling — of digital copies to consumers[13] poses additional problems to the application of § 109(a) in the digital context. These issues are examined in Part III in order to evaluate the extent of authors' digital distribution rights. The analysis also addresses the question of how crucial these issues are to the feasibility of a digital first-sale doctrine (both within the parameters of § 109(a) and in the event of statutory amendment) and what measures can be taken to overcome them. In addition, Part III evaluates the prospects and significance of a recent patent awarded to ReDigi that claims a method of digital distribution for used copies[14] that allegedly overcomes the reproduction problem.[15]

Part IV addresses the question of whether the digital doctrine *should* be made feasible, in light of its historical justifications, the issues relating to its application in the digital context, the extent of the changes required to overcome those issues, and fundamental copyright policy aims. The Copyright Office was opposed to amending the statute to extend the doctrine in 2001,[16] but technology and the ways in which copyrighted works are consumed have transformed extensively over the decade, and reconsideration is in order.[17] The question of the appropriate extent of the distribution right in relation to digital resales is analyzed by paying close regard particularly to the underlying justification for copyright protection; namely, the Copyright Clause.[18]

While this article aims to devise an answer to the particular question on the doctrine, it is important to recognize that this individual issue is a representation of a wider concern: the relationship between copyright laws and the development of technology, specifically in the context of the Internet. Some writers have described the current relationship of copyright

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12 *Id.* at 655.

13 *See* Brandon Griggs, *Can Bruce Willis Leave His iTunes Music to His Kids?*, *CNN* (Sept. 4, 2012), http://edition.cnn.com/2012/09/03/tech/web/bruce-willis-itunes.

14 Methods and apparatus for sharing, transferring and removing previously owned digital media, U.S. Patent No. 8,627,500 (filed Dec. 31, 2010).

15 *Redigi, Inc. Awarded Significant U.S. Patent*, ReDigi (Jan. 29, 2014), http://newsroom.redigi.com/redigi-inc-awarded-significant-u-s-patent.

16 *See* DMCA Section 104 Report, *supra* note 10, at 97.

17 The need for reconsideration has been recognized by the government; *see* Copyright Policy, *supra* note 1.

18 U.S. Const. art. I, § 8, cl. 8.

laws and technology as one of conflict.[19] While, they argue, the law is based on the principle of "analog scarcity," the existing technology is capable of creating "digital abundance,"[20] which leads to a mismatch between consumer expectations and what is possible within the parameters of the law.[21] Though this article recognizes the friction between technological development and copyright laws, it is also important to distinguish between, and give appropriate weight to, the different reasons that speak for or against a digital first-sale doctrine. The fact that technological possibilities have created new type of demand is a consideration worth noting, but it is merely a factor within the large-scale analysis of reaching an optimum balance in light of copyright objectives.

Before analyzing the issues relating to the doctrine today and the steps that should or should not be taken, it is necessary to first consider the roots of the doctrine. This enables us to assess the justifications for the doctrine, as well as to draw a provisional conclusion as to what extent these justifications can be applied to digital works.

II. JUDICIAL CREATION & LEGISLATIVE HISTORY: IMPLICATIONS FOR THE FEASIBILITY OF A DIGITAL FIRST-SALE DOCTRINE

A. Bobbs-Merrill Co. v. Straus – *Restricting the Distribution Right*

The first-sale doctrine was created by the judiciary in *Bobbs-Merrill Co. v. Straus* in 1908.[22] The plaintiff-copyright owner attempted to control re-sales of a book by a person who had lawfully acquired that book. The plaintiff had printed a notice on the book, stating that whoever attempted to sell it for less than one dollar was liable for copyright infringement.[23] The Supreme Court held that the defendant's failure to comply with the requirement did not violate the copyright owner's exclusive right to vend,[24] which had been exhausted after the first sale in relation to the particular copy.[25]

In reaching that decision, the Court concluded that the issue at hand was "purely a question of statutory construction."[26] In construing the meaning of the right to vend, the importance of prohibiting restraints on the alienation of property created a restriction on the extent of the right to

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19 WILLIAM PATRY, HOW TO FIX COPYRIGHT 2 (2012).
20 *Id.* at 39.
21 *See, e.g.*, COPYRIGHT POLICY, *supra*, note 9.
22 210 U.S. 339, 350-51 (1908).
23 *Id.* at 341.
24 Known today as the exclusive right to distribute.
25 *Bobbs-Merrill Co.*, 210 U.S. at 351.
26 *Id.* at 350.

vend.[27] The first-sale doctrine arose from the Court engaging in an analysis that provided insight into the extents of and relationship between the rights to vend and to reproduce. First, the Court emphasized its duty in giving effect to the *purpose* of the statute as Congress intended.[28] It then made a distinction between the exclusive rights of reproduction and vending, stating that the reproduction right was the *main purpose* of the Copyright Act.[29] With this distinction, the Court gave the right to vend a secondary status in relation to the reproduction right, implying that the justification for the former was to give effect to the latter.[30] Because of the secondary status purpose-wise, the Court saw the plaintiff's interpretation of the law as an over-extension of the right to vend, constituting a restraint on the alienation of property.[31]

For the purposes of the examination of the role of the doctrine in the digital context, the case brings about two important implications. First, because of the narrow construction given to the right to vend, it appears logical to argue that the first-sale doctrine should apply in the same manner in both analog and digital transactions. The fact that, instead of carving out a first-sale *exception*, the court restricted the right to vend by another principle, i.e., the prohibition on restraints on alienation of property, supports a wide construction of the doctrine. Second, however, the importance the Court attached to the reproduction right should be kept in mind when considering whether the doctrine can be applied to digital copies, as the implication of that right by digital resales has become one of the most contested issues in the debate over the feasibility of a digital first-sale doctrine.[32]

B. *Codification of the First-Sale Doctrine – A Requirement of Tangibility?*

Congress codified the first-sale doctrine in the Copyright Act of 1909.[33] The legislature's purpose for the codification was mainly to clarify that the interpretation given to the right to distribute should not be "enlarged,"[34] indicating that the correct interpretation of the right to dis-

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27 *Id.* at 349-50.

28 *Id.* at 346.

29 *Id.* at 347, 350.

30 DMCA SECTION 104 REPORT, *supra* note 10, at 20.

31 *Bobbs-Merrill Co.*, 210 U.S. at 350.

32 *See infra*, Section III.A.

33 Section 41 stated, with regards to the first-sale doctrine: "nothing in this Act shall be deemed to forbid, prevent, or restrict the transfer of any copy of a copyrighted work the possession of which has been lawfully obtained." Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1035, 1084.

34 H.R. REP. NO. 60-1 (1909) (to accompany House Bill 28192) (para. discussing § 41), *available at* http://ipmall.info/hosted_resources/lipa/copyrights/

tribute only indeed extended to first sales, as expressed in *Bobbs-Merrill*. The Committee also stated very strongly that, "it would be most unwise to permit the copyright proprietor to exercise any control whatever over the article which is subject to copyright after said proprietor has made the first sale,"[35] repeating the idea of eliminating restraints on the alienation of property. This statement could be argued — in a similar manner as the Court's reasoning — to greatly support a resilient interpretation of the first-sale doctrine, as well as to suggest that the doctrine should be applied in all re-sales with very little discretion.

However, interestingly, § 41 began by recognizing the crucial distinction between ownership of copyright and ownership of the material object that the copyrighted work is fixed in, and only then went on to pronounce the first-sale doctrine.[36] The DMCA Section 104 Report[37] concluded that the codification of the two concepts in the same section in the 1909 Act demonstrates that they are "two sides of the same coin,"[38] suggesting that the legislature considered the material, or tangible, nature of the copyrighted work an essential feature for the operation of the first-sale doctrine. This is also supported by references to "material" copies in the legislative history of § 41, which were reiterated in the congressional reports on the Copyright Act of 1976.[39] Although the two different concepts of § 41 were given their own, separate sections in the 1976 Act,[40] the House Report clarifies that the section merely "restates" the existing law,[41] which makes it difficult to conclude that the separation of the two concepts from § 41 was intended to somehow lessen the alleged tangibility requirement for the doctrine.

Thus, one can see a robust judicial and legislative approach to restrict the distribution right in order to eliminate restraints on the alienation of property, coupled with inferences in the legislative history and statutory structure that there may be a tangibility requirement to the operation of the section. With no express language on the matter in the statute, it is, however, difficult to perceive these pre-Digital Age inferences — oblivious to the possibility of having the kind of digital marketplace we have today — as somehow conclusive, or even persuasive of a per se tangibility

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The%20House%20Report%201%20on%20the%20Copyright%20Act%20of%201909.pdf.

35 *Id.*

36 Copyright Act of 1909, ch. 320, § 41, 35 Stat. 1035, 1080

37 DMCA SECTION 104 REPORT, *supra* note 10.

38 *Id.* at 87.

39 *Id.*

40 For first sale doctrine, see 17 U.S.C. § 109 (2012). For ownership of copyright distinct from ownership of material object, see *id.* § 202.

41 H.R. REP. No. 94-1476, at 79 (1976), *available at* http://commons.wikimedia.org/w/index.php?title=file:H.R._Rep._No._94-1476(1976).djvu&page=1.

requirement. Furthermore, the plain language of the statute, as it stands today, makes no distinction between tangible and intangible copies.[42]

The Copyright Office, however, concluded in 2001 that the tangibility of the resold copy was "critical" to the rationale of the first-sale doctrine.[43] Upon closer scrutiny, though, it appears that the reasoning behind this conclusion is flawed. The flaw in the Report's statement flows from the assumption that digital transmissions *necessarily* involve reproduction of the transmitted copy.[44] However, in addition to this assumption possibly not being quite valid anymore,[45] the more logically accurate conclusion would be to say that the first-sale doctrine does not extend to digital copies, *if* the transfer of ownership entails reproducing the copy — as opposed to creating an artificial tangibility requirement. Esteemed writers have also argued that a digital first-sale doctrine may be feasible in the current legislative framework if there is technology that facilitates the making of a transmission without infringing the reproduction right.[46] In that case, the transmission would not be violating the letter of the law.

While it can be concluded that there is no specific tangibility requirement, and thus no per se bar on applying the doctrine in the digital context, it is the particular wording of § 109(a)[47] that makes it difficult, if not impossible, to extend the doctrine to the digital context. Nevertheless, from this examination of the justifications for the doctrine, nothing presents itself as contradictory to the argument that the *justifications* for the doctrine also support its applicability in the digital context. If the extent of the author's exclusive right to distribute is such that it prohibits a consumer from alienating a digital file from their device by means of, for example, sale or loan, the consumer's ability to alienate property is restrained in theory just as much as with tangible goods. Moreover, the restrictive reading the Court in *Bobbs-Merrill* gave to the right to vend in relation to restraining alienation of property supports an expansive reading of the doctrine.

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[42] *See* 17 U.S.C. § 109 (2012).

[43] DMCA Section 104 Report, *supra* note 10, at 86.

[44] *See id.* at 87.

[45] *See* U.S. Patent No. 8,627,500, *supra* note 14.

[46] *See* Melville B. Nimmer & and David Nimmer, Nimmer on Copyright § 8.12[E] (2015); Michael D. Scott, Scott on Multimedia Law (2013) § 4.18[A] (2013).

[47] 17 U.S.C. § 109(a) (2012) ("[T]he owner of a particular copy or phonorecord lawfully made under this title, . . . is entitled, without the authority of the copyright owner, to sell or otherwise dispose of the possession of that copy or phonorecord.").

III. LEGAL ISSUES IN THE DIGITAL SECOND-HAND MARKETPLACE

Two significant legal issues arise when the doctrine, as expressed in § 109(a), is considered in relation to digital distribution technologies for second-hand copies. This Part examines whether those issues are sufficiently significant to make § 109(a) redundant for digital copies. Furthermore, the considerations below also are relevant in addressing the question of whether the statute should be amended, as they, for instance, dictate the extent of the possible amendments that may be required to make the digital doctrine feasible.

A. The Object of the Resale Must Be the "Particular" and "Lawfully Made" Copy

1. The Issue

Section 109(a) establishes two separate, yet connected, requirements for the nature of the copy that is being resold. *First*, the copy must be lawfully made under the Copyright Act.[48] *Second*, the resold copy must be the same, particular copy that the reseller owned.[49] The reason why these requirements are difficult for digital copies to fulfill is that reselling a digital copy almost necessarily involves a digital transmission, which unavoidably entails reproducing the original copy.[50] No matter how the copy is stored on the receiving device,[51] it is sufficiently "fixed" for the received files to constitute copies under § 101 of the Copyright Act, therefore implicating the copyright owner's exclusive reproduction right in § 106(1).[52] The first-sale doctrine only acts as a restriction to the distribution right; thus, in the absence of an alternative defense or restriction, these reproductions infringe the copyright owner's exclusive right to reproduce, and hence the copies are not "*lawfully made.*" Furthermore, the received copy is no longer the "*particular*," i.e., original copy, but a mere reproduction of it.[53] Therefore, even if the reproduction right was not infringed, such as in a situation where there was consent from the copyright owner, this hurdle would not be overcome.

The judiciary has recently accepted the theory that a digital transmission implicates the reproduction right and creates a copy that is not the

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[48] *Id.*

[49] *Id.*

[50] Keith Kupferschmid, *Lost in Cyberspace: The Digital Demise of the First-Sale Doctrine*, 16 J. MARSHALL J. COMPUTER & INFO. L. 825, 838 (1998).

[51] Be it only the random access memory, the read-only memory or on the hard-drive of the receiving device.

[52] Victor F. Calaba, *Quibbles 'n Bits: Making a Digital First Sale Doctrine Feasible*, 9 MICH. TELECOMM. TECH. L. REV. 1, 11 (2002).

[53] Kupferschmid, *supra* note 50, at 845.

"particular copy"; these issues were the deciding factors on the applicability of the doctrine in *Capitol Records, LLC v. ReDigi, Inc.*[54] ReDigi's "forward-and-delete" distribution service was structured so that a seller would upload the "used" file to the ReDigi server (first reproduction), the file was stored on ReDigi's cloud (second reproduction) from which a buyer could obtain and download it to their device (third reproduction).[55] ReDigi's "Media Manager," however, ensured that the seller had not retained a copy of the used file on the device that they uploaded it from.[56] It was nevertheless held that the first-sale doctrine did not cover the reproductions involved in the process "any more than it covered the sale of cassette recordings of vinyl records in a bygone era."[57]

Of course, the theory of digital transmissions implicating the reproduction right and the Court's approach to resales by digital transmissions represent a very literal reading of the statute. Notably, with ReDigi's forward-and-delete service there was no "real" reproduction in the sense that the amount of copies owned by consumers would have increased, since the seller was obliged to delete their file, enforced by the Media Manager. Thus an analogy of cassette recordings of vinyl records is not entirely correct.

One could argue that there is a conflict between the *spirit* of § 109(a) as examined in Part II — i.e., restricting restraints on the alienation of property in general by restricting the right to distribute — and the *black-letter rule* of the section. This crystallizes copyright laws' difficulties in adapting to technological change, as the black-letter rule renders the application of the spirit to new technologically advanced situations impossible. It has been argued that instead of the literal approach, more significance should be given to the spirit of § 109(a).[58] This is supported by some statements by the Supreme Court.[59] Also, in situations of ambiguity due to technological change, the Supreme Court has pronounced that the Copyright Act must be "construed in light of its basic purpose."[60]

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54 934 F. Supp. 2d 640, 655 (S.D.N.Y. 2013).

55 See *id.*; Pamela Samuelson, *Legally Speaking: A Copyright Challenge to Resales of Digital Music*, COMM. OF THE ACM, Mar. 2013, at 25.

56 *Capitol Records, LLC*, 939 F. Supp. at 645.

57 *Id.* at 655.

58 *See, e.g.*, Calaba, *supra* note 52, at 18.

59 *See id.* at 16-17; Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 158 (1975) ("While statutes should not be stretched to apply to new situations not fairly within their scope, they should not be so narrowly construed as to permit their evasion because of changing habits due to new inventions and discoveries.").

60 *Aiken*, 422 U.S. at 156 (citing Fox Film Corp. v. Doyal, 286 U.S. 123, 127 (1932).

There is, therefore, some scope to argue that whether § 109(a) encompasses digital transmissions is not simply a question of the letter of the law, but should be considered in light of the basic purpose of the Copyright Act.[61] Nevertheless, a strong argument can be presented against excusing the incidental reproduction even in light of the "basic purpose" approach: the Supreme Court in *Bobbs-Merrill* emphasized the primary status of the reproduction right in considering the purpose of the Copyright Act in relation to resales.[62] Thus, even if there can be said to be ambiguity due to technological change, the basic purpose of the Copyright Act is to secure the exclusive right to reproduce.[63] In light of that basic purpose, § 109(a) should not be given a reading that undermines the exclusive reproduction right, i.e., the basic purpose itself. Therefore, even under this line of interpretation that attempts to increase the law's responsiveness to technological change, it cannot be established that the reproductions involved in digital distributions should be excused.

Another line of argument presents a theory according to which the first-sale doctrine is about more than distribution and copyright, namely, preserving personal property rights of the owner of the article in which the copyrighted work was fixed.[64] The theory asserts that courts have recognized rights, such as rights of copy-owners to reproduce in order to repair their copies, which support the existence of a wider common law principle of exhaustion of rights.[65] It is argued that this principle could be extended so as to create a digital first-sale doctrine,[66] since it arguably allows copy-owners to do more than to distribute their copies.[67] Thus, according to the theory, "incidental" reproductions such as those occurring when using ReDigi's service could be justifiable.[68]

However, it should be recognized that the examples of wider exhaustion rights cited by the supporters of this theory, such as rights of repair and modification,[69] are distinctly different from what happens in digital transmission. A digital transmission creates an entirely new copy, one that is as good as one bought from a retailer, instead of modifying an already existing copy that may show signs of wear and tear. It can be argued that using the theory to create a digital first-sale doctrine entails more serious implications to copyright law than the examples cited to support the the-

61 Samuelson, *supra* note 55, at 26.
62 *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 347 (1908).
63 *See also* NIMMER & NIMMER, *supra* note 46, § 8.02[A].
64 *See* Perzanowski & Schultz, *supra* note 9.
65 *Id.* at 892.
66 *Id.* at 946.
67 Siy, *supra* note 9, at 5.
68 Perzanowski & Schultz, *supra* note 9, at 941.
69 *Id.* at 913, 916.

ory, as authors' rights could be compromised more extensively.[70] It is therefore rather questionable whether the inferences from case law that form the basis of the theory can be used to support the extending of rights of digital copy-owners. Although this line of case law can be appreciated in the larger framework of determining the status of a digital first-sale doctrine in light of the purpose of copyright law, it should not be considered as conclusive evidence of the validity and existence of a digital first-sale doctrine.

2. *Redigi 2.0 – A Possible Solution?*

Some months after "ReDigi 1.0" was held to infringe copyrights, ReDigi was granted a U.S. patent[71] for certain methods and apparatuses, most significant of which is the method of "atomic transaction."[72] It was stated above that digital resales "almost necessarily" involve digital transmissions, and that those transmissions are problematic under § 109(a). This was illustrated in *Capitol Records v. ReDigi.* ReDigi's new "atomic transaction," however, claims to be a way around this problem.[73] The patent claims an invention that enables resales as follows;[74] when a pre-registered ReDigi user buys, *e.g.*, a song online, instead of being stored on the user's hard drive, the original copy of the song is stored on ReDigi's cloud server, accessible by the user just as if the copy resided on the user's hard drive (because a copy of the original is created on to the user's device).[75] When the user wishes to sell the song, the ReDigi application ensures that the user retains no copies, and blocks the user's access to the original copy on the ReDigi server. When the next user wishes to buy this pre-owned song, they are granted ownership of and access to the original copy on ReDigi's server, just like the original user.

As the central reason for the first-sale doctrine not applying in relation to ReDigi 1.0 and its "forward-and-delete" method was the implication of the reproduction right with consequences to the "particular copy" and "owner" requirements, a patent for an invention that does not implicate that right is a significant development. However, while the patent appears to get around the wording of § 109(a), it is far from creating or facilitating a full-fledged digital first-sale doctrine. This is due to four reasons.

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70 *See supra*, Section IV.C. for analysis of issues for authors in digital resales.

71 U.S. Patent No. 8,627,500, *supra* note 14.

72 *See id.* (claim 13E).

73 *ReDigi Awarded Signficant Patent*, *supra* note 15.

74 See Patent No. 8,627,500 (claims 1-6, 13-18; fig. at 24-25).

75 This is likely to be a lawful copy because it is for personal use only. *See infra*, note 81

First, it is important to note that a patent is not conclusive evidence of legality of what the service does, since a patent only establishes that the conditions of patentability have been met.[76] However, a weaker argument could be made that since utility, and in particular beneficial utility, is a requirement for patentability,[77] a patent is evidence that an invention is not "frivolous or injurious to the well-being, good policy, and sound morals of society."[78] However, since the ReDigi patent is drafted broadly enough to also encompass situations where copyright infringement would almost certainly not be an issue (such as redistribution of public domain files), it is even harder to conclude that the patent "proves" that a digital first-sale doctrine exists in law.

Second, the patent does not create a foolproof system. A user, while still the owner of the digital file, may create lawful copies[79] of the file, to be stored on a separate device, such as a portable music player, or a memory stick. However, when they resell the file and give up their ownership, the ReDigi application — that is supposed to delete any copies you have made of the file — is not able to detect these copies if they are located unconnected to the device where the user has the ReDigi application installed.[80] Therefore, the user is able to retain an extra copy. It can be debated, though, how strong an argument this is against the facilitation of a digital first-sale doctrine through this particular method, since the doctrine is not exactly foolproof in this sense with tangible copies either.[81] Furthermore, due to the "digital fingerprint" assigned to all copies of the file,[82] it is not possible for the user to resell the file twice on ReDigi, since the application will, first, recognize the fingerprint once the file is on a device connected to the application; second, recognize that the user should no longer have access to that; and third, destroy the file.[83] There exists, however, the risk of the user reselling the extra copy through another re-

[76] 35 U.S.C. § 101 (2012).

[77] *Id.*

[78] Lowell v. Lewis, 15 F. Cas. 1018, 1019 (C.C.D. Mass. 1817) (No. 8568) (the interpretation given to beneficial utility).

[79] If these are copies for, e.g., non-commercial personal use, probably lawful under fair use. *See infra*, note 82.

[80] U.S. Patent No. 8,627,500, *supra* note 14.

[81] E.g., the status of "ripping" CDs is unclear in law; *see* Michael Lavorgna, *Is Ripping a Crime?*, AUDIOSTREAM (Dec. 30, 2011), http://www.audiostream.com/content/ripping-crime. However, for example the Recording Industry Association of America (RIAA) seems to think that ripping is acceptable as long as it is for personal use only; *see The Law*, RIAA, http://www.riaa.com/physicalpiracy.php?content_selector=piracy_online_the_law (last visited Jan. 16, 2015).

[82] U.S. Patent No. 8,627,500, *supra* note 14, claim 1C.

[83] *Id.* claim 10.

sale service, although ReDigi appears to be the only one in the market at the moment.

Third, there is a noteworthy limitation as to what files this particular invention will allow to be resold. Because the invention is based on the original file residing on the ReDigi server from the moment the user has purchased it,[84] only those files purchased after the installation of the application will be eligible for resale.

Fourth, the increased licensing practice in the field of digital content[85] means that oftentimes restrictions are imposed on what a consumer can do with a copy they have purchased.[86] In addition to depriving consumers of ownership, which is essential for the operation of § 109(a), those licenses may impose further restrictions on use and transfer of the content.[87]

In addition to the four apparent limits of the patent in facilitating a digital first-sale doctrine, the absurdity of the legal setting should not go unnoted. The practical effects of ReDigi 1.0 and ReDigi's new patented process are essentially the same; only the order of steps is different.[88] After various writers have questioned — from a policy perspective — whether the doctrine should apply in the digital context,[89] alleging that such an arbitrary difference in technology enables a digital first-sale doctrine would underplay the possible policy issues that the digital doctrine could pose. Furthermore, if the popularity of distribution technologies such as ReDigi 2.0 grows, it is likely that retailers and authors of copyrighted content will respond with increased digital rights management (DRM), establishing technological constraints on what consumers can and cannot do with their copies.[90] This could lead to a race between secondary market distributors battling the limitations imposed by statutory wording with arbitrary changes in technology, and retailers and authors attempting to overcome those changes by technological or contractual limitations on

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84 *Id.* claims 23-26.

85 Griggs, *supra* note 13.

86 For licenses in intellectual property, see JAY DRATLER LICENSING OF INTELLECTUAL PROPERTY § 1A.03 (1994).

87 For further analysis on licenses and their role in the digital first-sale doctrine, *see infra*, Section III.B.

88 Chris Meadows, *ReDigi Awarded Patent on Digital Resale "Without Making a Copy"*, TELEREAD (Jan. 29, 2014, 7:00 AM), http://www.teleread.com/copyright/redigi-awarded-patent-on-digital-resale-without-making-a-copy.

89 *See, e.g.*, Kupferschmid, *supra* note 50; DALE NELSON, DIGITAL FIRST SALE – A US PERSPECTIVE (2013), *available at* https://www.aippi.org/download/helsinki13/presentations/Pres_WS_V_DNelson_300813.pdf; R. Anthony Reese, *First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. REV. 577 (2003).

90 For further discussion, see *supra*, Section IV.D.

the use of copies. Rather than expending resources in that race, the question of digital first-sale doctrine should be addressed on a policy level.

B. The Re-Sale Must Be by the "Owner"

1. The Issue

Before addressing the policy questions relating to digital first-sale, this section analyzes the other requirement in § 109(a) that poses particular issues for digital copies: the requirement that the reseller be the owner of the copy that is up for resale. Even if the ReDigi patent or statutory amendment could overcome the issues relating to reproductions in digital distributions, this requirement would remain a problem. This is because, increasingly, digital content (especially software[91]) transactions are being characterized by sellers as licenses to consumers, as opposed to sales.[92] Hence, the "buyer" of a copy may not be the owner of the digital copy,[93] and § 109(d) further expressly states that without ownership, the first-sale doctrine does not operate.[94] One popular form of licensing copyrighted content is through a click-wrap license that requires a consumer to click "I Accept" before either being able to download the copyrighted content, or before accessing the service that enables you to download copyrighted content.[95] For example, Apple terms and conditions for iTunes state that a purchase of a song is a purchase of a license to listen to it, not ownership of it.[96] Thus, the ownership that would have been brought about in law is negated by a contract between two private parties, and in which the smaller party, the consumer, often has little or no bargaining power in terms of the conditions of the transaction.

The Copyright Act does not contain a definition of "owner" or "ownership," and so it has been for the judiciary to determine whether in some situations a license is really a sale and whether the consumer has thus acquired ownership. The question has been addressed in numerous cases by various district and circuit Courts, with differing tests and results.[97] One

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91 SCOTT, *supra* note 46, § 4.18[A].

92 *See* Griggs, *supra* note 13. *See also* JASON MAZZONE, COPYFRAUD AND OTHER ABUSES OF INTELLECTUAL PROPERTY LAW 119 (2011).

93 Justin Graham, *Preserving the Aftermarket in Copyrighted Works: Adapting the First Sale Doctrine to the Emerging Technological Landscape*, 2002 STAN. TECH. L. REV. 1, ¶ 21 (2002).

94 17 U.S.C. § 109(d) (2012).

95 Graham, *supra* note 93, ¶ 23.

96 *See iTunes Store Terms & Conditions*, APPLE, https://www.apple.com/legal/internet-services/itunes/us/terms.html (last visited Jan. 16, 2014); Griggs, *supra* note 13.

97 Matthew J. Turchyn, *It Looks Like a Sale; It Quacks Like a Sale . . . But It's Not? An Argument for the Application of the Duck Test in a Digital First*

of the most recent cases on the matter, *Vernor v. Autodesk, Inc.*,[98] explicitly addressed the distinction in the context of the first-sale doctrine,[99] and can thus be viewed as the most persuasive authority on the matter, although the decision is only binding in the Ninth Circuit. The court composed a three-part test to differentiate software sales from licenses, looking at whether the copyright owner (1) specifies that the user is granted a license, (2) significantly restricts the user's ability to transfer the software; and (3) imposes notable use restrictions.[100] However, it should be noted that the test consists of ambiguous terms such as "significantly restricts" and "notable use restrictions," which means that the test is of very little use until it has been used and clarified for practical purposes in subsequent cases. There is also ambiguity as to how the test would apply to the sale of digital files other than software. Therefore, it does not prove to be very helpful for the consumer who is unsure of whether they can, for example, resell the song they have purchased on iTunes. And, more importantly, this test does not look at the economic realities of the transaction, and permits consumers' rights to be stripped away merely by designating the transaction as a license as opposed to a sale.[101]

For the purposes of this article, it suffices to say that the judiciary has failed to adopt a coherent approach in determining whether a license is indeed a de facto sale,[102] and the *Vernor* test does not appear helpful in establishing legal certainty on the matter, nor is it helpful in appreciating consumer expectations in commercial transactions. Furthermore, as the case law primarily deals with software (embodied in *tangible* CD-ROMs in some cases), drawing an analogy to all kinds of digital copies is questionable. The ownership requirement of §§ 109(a) and (d) poses a significant hindrance for the operation of the first-sale doctrine in the digital context.

2. *Defining Ownership*

To make a digital first-sale doctrine truly feasible requires addressing not only situations where the reproduction right is implicated, but also the status of licenses within the doctrine, because without a proper definition the implications of a digital first-sale doctrine may be undermined, as re-

Sale Doctrine, 5 J. BUS. ENTREPRENEURSHIP & L. 31, 38-40 (2011). For cases, see e.g., Microsoft Corp. v. Software Wholesale Club, Inc., 129 F. Supp. 2d 995 (S.D. Tex. 2000); SoftMan Prods. Co., LLC v. Adobe Sys. Inc., 171 F. Supp. 2d 1075 (C.D. Cal. 2001) ("economic realities test"); ProCD, Inc. v. Zeidenberg, 86 F.3d 1447 (7th Cir. 1996) (applying the Uniform Commercial Code).

98 621 F.3d 1102 (9th Cir. 2010).

99 *Id.* at 1107.

100 *Id.* at 1111.

101 Turchyn, *supra* note 97, at 46.

102 MAZZONE, *supra* note 92, at 124.

tailers could take consumers' rights away merely by putting a different label on something that is not what the label says. Their status could most effectively be clarified by the legislature by giving a clear and unambiguous definition of ownership for the purposes of §§ 109(a) and (d).

How should transactions, classified as licenses, be detected to be *de facto* sales? The Court of Justice of the European Union (CJEU) considered the definition of a sale for the purposes of exhaustion of copyright holder's rights[103] in *UsedSoft, GmbH. v. Oracle International Corp.*,[104] deciding that a permanent right to use in return for a payment of a fee "designed to enable the copyright holder to obtain a remuneration corresponding to the economic value of the copy of the work" constituted a "sale" in a software transaction.[105] Despite differences in the first-sale legislation between the EU and the U.S. jurisdictions, this decision is helpful in formulating a definition of "ownership" for the purposes of §§ 109(a) and (d).

A possible definition that would catch "false" licenses could be as follows: "*Ownership may be acquired through a commercial transaction where the consumer receives, in return for payment of a fee that corresponds to the economic value of the copy of the work, the right to use the copy for an unlimited period.*" This non-exhaustive definition would leave room for ownership acquired through other means, too, such as gifting.

This is a suitable approach for U.S. copyright legislation. Not only would the definition prevent circumventing a possible digital first-sale doctrine in law, but it is also consumer-friendly, as it looks beyond the litany of legal jargon of, for example, click-wrap licenses, and appreciates the commercial realities of the transaction. Unlike under the *Vernor* test, the consumers' expectations will be met better, as the legal nature of the deals that they enter into matches their observations of the transactions.[106] Furthermore, giving weight to the substance of the transaction, as opposed to its form, helps reduce the bargaining power of multimillion-dollar companies that have the ability to hire multiple lawyers to draft highly favorable terms and conditions for the company's transactions with individual consumers.[107]

A similar approach to that of the CJEU was embraced in *SoftMan Products Co. v. Adobe Systems, Inc.*[108] an earlier decision amid the incoherent licensing case law. *SoftMan* looked at the "economic realities of the

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103 In essence, the European equivalent of the first-sale doctrine.

104 Case-128/11, [2012] ECR I-0000.

105 *Id.* at 45.

106 Turchyn, *supra* note 97, at 46.

107 *Id.* at 47.

108 171 F. Supp. 2d 1075 (C.D. Cal. 2001).

transaction" in distinguishing licenses from sales.[109] However, the definition based on the CJEU decision is more definite and developed, and provides a higher level of legal certainty by, in essence, outlining the factors that form the "economic realities of the transaction."

IV. SHOULD COPYRIGHT LAW EMBRACE A DIGITAL FIRST-SALE DOCTRINE?

As the above evaluation shows, the current extent of copyright holders' exclusive rights is such that a fully functioning digital first-sale doctrine is not possible. Resolving the issues that prevent the application of § 109(a) to digital copies requires statutory amendment. First, with regards to issues relating to the implication of the reproduction right, the definition of "lawfully made" would have to be relaxed, and the requirement that the resold copy be the "particular" copy would need to be eliminated, in order to permit re-sales through forward-and-delete technologies, such as ReDigi 1.0. These technologies would enable resales at the same time attempting to mitigate the risk of consumers retaining copies of resold files. Alternatively, resales could occur through services such as ReDigi 2.0, but — as identified above — that service, too, has its limitations. Second, with regards to the requirement of ownership, the definition for ownership would have to be revised as suggested.

Having identified the changes that would be necessary to meaningfully facilitate a digital first-sale doctrine, we now turn to considering whether change is recommendable. The aim is to determine whether the first-sale doctrine *should* apply also to the resales of digital copies of copyrighted works, in light of the extent of changes that would need to be instituted.

In order to answer that question, there must be a clear and consistent objective that the answer attempts to reach and satisfy. Therefore, Section A discusses the constitutional source of authority for copyright laws, their aims, and the legislative methods through which the aims can be achieved. Section B identifies the general costs and benefits of the digital doctrine. Section C, then, assesses the significance of those costs. In light of the costs, section D analyzes whether the benefits of a digital first-sale doctrine can be achieved by less damaging means.

A. Facilitating Progress Through "Access" and "Incentive"

Article I, Section 8, Clause 8 of the United States Constitution gives the United States Congress the power to: "promote the Progress of Science . . ., by securing for limited Times to Authors . . . the exclusive Right

[109] *Id.* at 1084.

to their . . . Writings . . .."[110] The power to legislate on copyright matters derives from this Clause,[111] and hence all reform in copyright law should be considered in light of the meaning of the Clause, as it creates a purpose that can be achieved by using the law as a tool.

However, although seemingly straightforward, the ability of the Clause to limit Congress's power has been disputed,[112] and various interpretations have been given specifically about the role of "progress" in copyright legislation.[113] Thorough research as to the Framers' intent has concluded, though, that the progress clause was intended to have effect as a limitation to the means clause.[114] This interpretation, as opposed to giving the progress clause a mere preambular role, is also in line with the generally accepted interpretative principle that every word in the Constitution serves a purpose.[115] The Supreme Court has also interpreted it as a limitation.[116] Furthermore, it has been convincingly argued that both the progress clause and the means clause were intended to, first, limit one another; and second, be limited by one another.[117]

However, due to this "double limitation" in the clause, it should be remembered that progress can only be achieved by varying the rights granted to authors. Even though it may at first appear counterintuitive to apply the Clause to the assessment of need for reform of the doctrine, as the first-sale doctrine is not an exclusive right granted to authors,[118] it is important to note that the doctrine itself is a *restriction upon* the right to distribute. It is, hence, clearly within the sphere of consideration of the extent to which authors can be granted exclusive rights, and should be assessed with regard to the Copyright Clause.

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110 U.S. CONST. art. I, sec. 8, cl. 8. The Clause also empowers the Congress to legislate on patent matters, but here only the parts relevant for copyright purposes have been included.

111 NIMMER & NIMMER, *supra* note 46, § 1.02.

112 Dotan Oliar, *Making Sense of the Intellectual Property Clause: Promotion of Progress as a Limitation on Congress's Intellectual Property Power*, 94 GEO. L.J. 1771, 1772 (2006).

113 *Id.* at 1773; *see also* NIMMER & NIMMER, *supra* note 46, § 1.03[A]; Oliar, *supra* note 112; David S. Olson, *A Legitimate Interest in Promoting the Progress of Science: Constitutional Constraints on Copyright Laws*, 64 VAND. L. REV. EN BANC 185, 188 (2011).

114 *See* Oliar, *supra* note 112; Olson, *supra* note 113, at 188.

115 Olson, *supra* note 113, at 190.

116 Eldred v. Ashcroft, 537 U.S. 186, 212 (2002).

117 Oliar, *supra* note 112, at 1816.

118 Also, its initial purpose, removing restraints on alienation of property, seems disconnected from copyright law, and some writers have chosen to evaluate the doctrine's extent based on that purpose, see, e.g., Kupferschmid, *supra* note 50, at 852.

As the analysis here is centered around what should be done in order to promote progress, understanding the meaning of "progress" is vital.[119] In general, it can be argued that progress means change over time, towards betterment.[120] Some further guidance can be found in the subject-matter or object of progress, i.e., "science,"[121] which used to refer to knowledge and the liberal arts.[122] Furthermore, the Framers saw copyright as serving the public benefit, as opposed to rewarding a past event.[123] This is further supported by the utilitarian phrasing of the Clause: authors do not have inherent rights to their works, as exclusive rights are merely *tools* that enable progress for the society's benefit.[124] Hence, progress should be defined as betterment of the public's position in relation to knowledge and arts embodied in copyrighted works.

It can be deduced from the above definition that the beneficiaries of progress, the *stakeholders*, are the consumers and users of copyrighted works. Their interest is to have, first, a high level of quantity and quality of copyrighted works, and second, access to those works, as without access, the potential benefit derived from the works is not realized. Copyright law operates within the parameters of these interests[125]: quality and quantity of works are increased by granting authors economic and personal[126] incentives, making authors indirect stakeholders in the promotion of progress; access is secured by restricting the extent of the incentives granted to authors.[127] Ideally, this "access/incentive" approach will produce a varied mix of good quality works that the public can access easily. In order to reach the optimal solution from the point of view of progress, the effects of a possible digital first-sale doctrine will be assessed in light of the two factors, access and incentive.

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119 Michael D. Birnhack, *The Idea of Progress in Copyright Law*, 1 BUFFALO INTELL. PROP. L.J. 3, 4 (2001).

120 *Id.* at 11.

121 *Id.* at 36.

122 *Id.*; Olson, *supra* note 114, at 187.

123 Birnhack, *supra* note 119, at 39.

124 Steve P. Calandrillo, *An Economic Analysis of Property Rights in Information: Justifications and Problems of Exclusive Rights, Incentives to Generate Information, and the Alternative of a Government-Run Reward System*, 9 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 301, 310 (1998).

125 Julie E. Cohen, *Taking Stock: The Law and Economics of Intellectual Property Rights: Copyright and the Perfect Curve*, 53 VAND. L. REV. 1799, 1801(2000).

126 Such as exclusivity in reproduction

127 By, for example, restrictions such as the first-sale doctrine.

B. Digital First-Sale Doctrine – Access and Incentive Analysis

Oftentimes, access and incentive are in conflict, since policies that improve one factor typically lead to a weakening in the other factor.[128] A digital first-sale doctrine is a prime example of this. It represents, prima facie, a method of promoting progress through facilitating *access*. With the digital doctrine, access of consumers to copyrighted works would, theoretically, be improved in at least four ways. *First*, digital copies would in general be available to more consumers, as ownership could be passed through a sale in a secondary market once the original buyer did not use the copy anymore.[129] However, this argument is weakened by the fact that the number of new[130] copies in the digital context is not as limited as in the marketplace for tangibles (due to lower marginal costs of production in digital), and thus, in most cases, all consumers looking to buy a copy could have access to new copies from the retailer, as opposed to second-hand copies. *Second*, and more specifically though, the price of second-hand copies would be likely to be lower than that of new goods.[131] This means that a higher percentage of the public would be willing and able to bear the cost of a copy through secondary sales.[132] *Third*, more consumers would be able to buy an original copy, as they would have the option to dispose of it through secondary markets, thus reducing the aggregate purchase cost of the copy.[133] *Fourth*, rental and lending markets by purchasers of original copies would further facilitate access to a copy at a lower cost.[134]

However, a digital first-sale doctrine is likely to bear negative implications on the incentive factor, and therefore the access/incentive conflict arises. It can be argued the doctrine, which would enable the sale of "used" digital copies that in many ways compete with the primary market,[135] would encroach on authors' ability to distribute new copies so extensively that some authors would be discouraged from embarking upon a creative journey, due to the possible reduction in the economic reward

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128 This can be explained by basic copyright economics; *see, e.g.*, William M. Landes & Richard A. Posner, *An Economic Analysis of Copyright Law*, 18 J. LEG. STUD. 325 (1989).

129 Reese, *supra* note 89, at 586.

130 I.e., copies that are sold by a retailer and not by a consumer.

131 Reese, *supra* note 89, at 587.

132 *Id.*

133 *Id.*

134 *Id.*

135 One of the main differences between used tangible and digital copies is that digital copies don't age, which makes their condition as good as new at the point of resale. This makes them good substitutes for original copies. *See infra*, Section IV.D.1, for the analysis.

that they could expect.[136] As a result of the weakened incentive, the quality and/or quantity of works created could be less than it would have been had the incentive factor remained the same. The public would be worse off in terms of the selection of works available. Because of the reduction in incentive by the legislature, authors and/or retailers of copyrighted works could also react in other ways that would undermine the positive effects on progress outlined above. One rational reaction would be to set a higher initial sale price, reflecting the losses they may incur due to the encroachment.[137] A higher price would also limit some consumers' access to the original copies.[138] However, the long-term resilience of this strategy is questionable, since at some point after starting to distribute copies, the author/copyright-owner would face price competition from secondary, rental and lending markets.[139]

In addition to these economic costs and benefits of a digital first-sale doctrine, there are also possible non-economic effects for progress. These mainly flow from the *interaction* between access and incentive: despite the conflicted relationship between the two factors, it can be argued that improving access by way of a digital first-sale doctrine could also boost the incentive factor. The strongest argument that supports this theory is that as more people gain access to works, the creation of lawful[140] derivative works will increase. Also, non-economic incentives to create, for example, works embodying research will increase, as researchers will have increased access to books and other materials that they can reference. It can furthermore be argued, on a broader level, that if people have access to more works through a digital first-sale doctrine, their overall "pool of knowledge" grows in volume. Even though this may not affect their incentives to create per se, it may indirectly affect the quality (or even the quantity) of works that they create. For example, the pool of knowledge from which the *Game of Thrones* literary works arose was partly formed by having access to copyrighted works embodying history, historical fiction and fantasy.[141] Another non-economic benefit is the improvement of preservation of works, as more copies are free to be circulated. However, it is likely that in the era of digital abundance the effects on preservation are de minimis.

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136 *See, e.g.*, Kupferschmid, *supra* note 50, at 853.

137 Reese, *supra* note 89, at 591.

138 *Id.*

139 *Id.*

140 *E.g.*, lawful under fair use.

141 Laura Miller, *The Real-Life Inspirations for "Game of Thrones"*, SALON (Apr. 30, 2012, 8 P.M), http://www.salon.com/2012/04/04/the_real_life_inspirations_for_game_of_thrones.

Decisions on copyright policy must find the right balance between methods that facilitate the public's access and methods that incentivize creators and thus improve the quality and quantity of creative works. Finding the appropriate balance is vital for reaching the ultimate goal of copyright, i.e., the promotion of progress. The question in relation to the first-sale doctrine is, in light of its potential effects as outlined above, what is the proper extent to which the doctrine should be applied? And particularly, is a digital first-sale doctrine past that proper extent, considering its potential disincentivizing effects as balanced against the improvements it can bring about?

C. Effects of Digital Secondary Markets on Incentive

It is important to recognize that the debate on the proper scope of copyright, in general, is poorly informed by independent empirical research.[142] Above, several potential effects of a digital first-sale doctrine were considered. Although these effects are supported by basic economics and logic, there is no empirical research on the matter. Yet, these effects are often used as primary evidence in making a case either for or against a first-sale doctrine.[143]

Independent[144] empirical evidence is vital for policy decisions — it tells us whether our assumptions or estimations on potential effects hold up.[145] However, while this article recognizes the importance of empirical evidence, it also acknowledges the lack of it.[146] Theoretically, a detailed balancing analysis of all the effects of a digital first-sale doctrine would be the superior way to assess its appropriateness, but such analysis would be rather speculative due to the scarceness in empirical evidence that could be used to support any policy arguments. There is, nevertheless, some empirical evidence that can be utilized in examining the access/incentive balance in addition to the theoretical analysis above.

As discussed theoretically above, the main cost of a digital first-sale doctrine is its negative effect on authors' incentives. Thus, the most pow-

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142 NAT'L RESEARCH COUNCIL OF THE NAT'L ACADEMIES, COPYRIGHT IN THE DIGITAL ERA – BUILDING EVIDENCE FOR POLICY 1 (2013).

143 *See, e.g.*, Henry S. Long III, *Reconsidering the "Balance" of the "Digital First Sale" Debate: Re-Examining the Case for a Statutory Digital First Sale Doctrine to Facilitate Second-Hand Digital Media Markets*, 59 ALA. L. REV. 1183, 1200 (2008); Kupferschmid, *supra* note 50; Hess, *supra* note 9.

144 As opposed to, e.g., one-sided statements of financial harm by copyright industries that is often employed in copyright policy-making. PATRY, *supra* note 19, at 61.

145 *Id.* at 52.

146 CHRISTIAN HANDKE, ECONOMIC EFFECTS OF COPYRIGHT: THE EMPIRICAL EVIDENCE SO FAR 4 (2011), *available at* http://sites.nationalacademies.org/cs/groups/pgasite/documents/webpage/pga_063399.pdf.

erful argument against a digital first-sale doctrine alleges that those effects on the incentive factor outweigh potential positive effects on access. However, the hypothesis of the negative effect on incentives depends on, *ceteris paribus*, first, whether resold copies would displace demand for original copies, leading to the secondary market cannibalizing the primary market; and second, whether having a strong primary market through copyright protection is an incentive to create. These assumptions are worth considering in more detail, in order to understand the significance of the potential costs of a digital first-sale doctrine.

No empirical research has been conducted specifically on the matter of cannibalization in the resales of digital files. The analysis below will therefore be based on research conducted on similar matters, and drawing an analogy, as well as identifying distinctions.

First, a form of research that can assist in coming to a conclusion about the cannibalization effects of a digital first-sale doctrine is that of the cross price elasticity of demand between tangible new books and tangible used books sold through digital transactions.[147] The analogy to the effects of a digital first-sale doctrine is complete apart from the fact that the goods sold are tangible. The data analysis here suggests that used books are poor substitutes for new ones: only 16% of used books sales cannibalize sales on the primary market.[148]

The tangibility distinction is crucial, though, as it limits cannibalization.[149] Tangible copies deteriorate, whereas digital ones do not. Thus, cannibalization in tangibles may be reduced by the second-hand copy being of inferior quality, and hence not an appropriate substitute. The study on books, above, supports this: books deteriorate as they are used, and hence they are substitutes for new books only for 16% of the used-book buyers, even if sold by the same retailer, according to the same procedure.[150] Used digital copies (e.g., e-books), on the other hand, are likely to be better substitutes for new digital copies. This is because they show no signs of wear and tear. The main factors potentially limiting their excellence as substitutes are, first, the psychological "cost" of purchasing a second-hand good; and second, an inferior purchase procedure in comparison to buying from a big retailer, such as the iTunes Store. However, these limitations are rather speculative. It is also likely that these limitations are not particularly significant in the circumstances that they may present themselves in, as they do not affect the quality of the consumption

147 Anindya Ghose, Michael D. Smith & Rahul Telang, *Internet Exchanges for Used Books: Empirical Analysis of Product Cannibalization and Welfare Impact*, 17 INFO. SYS. RES. 1, 3 (2006).

148 *Id.* at 16.

149 Kupferschmid, *supra* note 50, at 852.

150 The study compared sales on Amazon's new and used goods markets.

of the product itself. Hence, it can be argued that resales of digital copies are more likely to cannibalize new product sales than resales of tangible copies.

This is supported by the findings in a study that examined the cross price elasticity of new product demand with respect to used (tangible) CDs and DVDs in online transactions.[151] It was found that these resales pose a larger cannibalization threat to new products than used book resales.[152] Twenty-four percent of used CD sales and 86% of used DVD sales cannibalized new sales.[153] While the study was still focused on tangible items, CDs and DVDs provide a closer analogy to intangible digital copies than books, in the sense that their relevant content is in a digital format and separable from the tangible medium.[154] Therefore, wear and tear to the tangible medium is rather irrelevant to the extent that the digital content is still accessible. However, this does not explain the vast difference between CDs' and DVDs' cannibalization effects. One possible explanation lies in the nature of consuming these products: while music on CDs can be listened to over and over again, films on DVDs are watched less often. It is therefore likely that CD buyers are more concerned about the durability of the tangible medium, and therefore, logically, choose the new product over the second-hand one more often than DVD buyers. Thus, it can be concluded that, based on these studies, the cannibalization effect is stronger the *less meaningful* the tangible medium of the copy is to the consumer.

While there is no "on point" empirical data and analysis, the above evidence is helpful in assessing the likely effects of a digital first-sale doctrine. Although the evidence focuses on tangible copies, reasonable conclusions can also be drawn regarding digital copies: namely, that, as digital copies have no particular tangible medium, it is likely that the cannibalization effect of used copies is going to be similar to, or even stronger than with DVDs. It should also be noted that these studies only examined the effect of second-hand *sales*. It is likely, though, that lending and rental of digital copies would increase, as more copy-owners would have the ability to do that, as it is logical to argue that a portion of them would have the incentive to lend or rent their copies, in order to recoup some of the original acquisition cost of the copy. Increased lending and rental of digital copies is likely to bring about more cannibalization of the primary market,

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151 Michael D. Smith & Rahul Telang, Research Note: Internet Exchanges for Used Digital Goods: Empirical Analysis and Managerial Implications (2008) (Heinz Research, Paper 60), *available at* http://repository.cmu.edu/heinzworks/60.

152 *Id.* at 14.

153 *Id.*

154 *Id.* at 15.

as they provide a lower-cost alternative for consumers who only wish to gain possession of the copy for a limited time.

To assess the impact of the likely cannibalization, it is valuable to briefly discuss the extent to which creation is incentivized by having a strong primary market. Of course, outside economic incentives, authors may have other motivations too, such as personal satisfaction.[155] However, while one may write a short story without looking to benefit from it economically, most copyright industries need money in order to function. For example, in 2010, copyright industries in the U.S. employed 10,632,200 people.[156] With smaller revenue, fewer people can be employed. With fewer people working, the quality and/or quantity of works created is likely to decrease. Although some studies have attempted to measure the elasticity of supply to copyright protection,[157] by, for example, examining how the changes in American copyright law influence the number of copyright registrations,[158] the economic link is undisputable. Authors do not create in a vacuum — they need publishers, film studios, music producers, etc. to actualize their visions. This takes money, and to a degree, copyright protection is able to guarantee a revenue stream. The prognosis regarding the effects of a digital first-sale doctrine on the incentive factor and progress is therefore grim: a severe cannibalization effect appears likely, and due to the effect's economic implications it seems probable that the quantity and quality of copyrighted works would be negatively affected.

D. Reconsidering Access

Given these negative implications of a digital first-sale doctrine on authors' incentives, it is valuable to consider whether the likely benefits of a digital first sale doctrine in terms of access can be achieved in ways that damage incentives less. This article argues that in the current legislative framework, distribution technologies are capable of producing a range of benefits similar to those of a digital first-sale doctrine, without the additional burden on incentives. This is because the current market offers a plethora of alternatives: consumers of most digital copyrighted content have a variety of different distribution services to choose from. They can

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155 TANYA APLIN, COPYRIGHT LAW IN THE DIGITAL SOCIETY: THE CHALLENGES OF MULTIMEDIA 20 (2005).

156 STEPHEN E. SIWEK, COPYRIGHT INDUSTRIES IN THE US ECONOMY: THE 2011 REPORT 6 (2011), *available at* http://www.iipa.com/pdf/2011CopyrightIndustriesReport.PDF.

157 HANDKE, *supra* note 146, at 27.

158 Raymond Shih Ray Ku, Jiayand Sun & Yijing Fan, *Does Copyright Law Promote Creativity?*, 62 VAND. L. REV. 1669 (2009).

stream music from Spotify[159] or 8tracks,[160] buy music files from iTunes[161] or Amazon;[162] they can stream TV shows and movies from Netflix,[163] purchase them from GooglePlay,[164] or rent them on iTunes;[165] Oyster[166] is becoming the Netflix for books, while one can still buy a single digital copy from Waterstones.[167] And of course, copies can be obtained in physical format as well.

The benefits of a digital first-sale doctrine in terms of access, outlined in IV.B. above, are primarily based on effects flowing from the lower price of the "used" copy. It can be argued, though, that due to the variety of alternatives the current market offers, consumers are able to choose the best service to match their consumption habits, which is already leading to a degree of affordability and access in the present legislative framework. Hence, the additional benefits of a digital first-sale doctrine may not be as extensive as they first appear to be.

For example, to consider the "access through affordability" benefit of a digital first-sale doctrine: ReDigi sells "pre-owned" songs at a 50% discount of the price of the "originals" on iTunes Store,[168] which may enable access for some consumers who may not be willing or able to pay the price of a new copy. Furthermore, if digital resales grew in popularity, a meaningful proportion of consumers could in fact purchase more works based on the assumption that they could recoup the cost of that purchase by resales, making access to original copies appear more affordable.[169] However, while these benefits are notable, affordable access to works can be achieved in other ways, albeit not necessarily to the same extent. For ex-

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159 *Spotify Web Player*, SPOTIFY, https://play.spotify.com/discover (last visited Jan. 16, 2015).

160 *8tracks Internet Radio*, 8TRACKS, http://8tracks.com (last visited Jan. 16, 2015).

161 *iTunes Store*, APPLE, at https://itunes.apple.com/us/store (last visited Jan. 16, 2015).

162 *Music*, Amazon, http://www.amazon.co.uk/music-rock-classical-pop-jazz/b/ref=topnav_storetab_m_h_?ie=UTF8&node=229816 (last visited Jan. 16, 2015).

163 *Netflix*, NETFLIX, http://www.netflix.com (last visited Jan. 16, 2015).

164 *Movies & TV*, GOOGLEPLAY, https://play.google.com/store/movies (last visited Jan. 16, 2015)

165 *How to Rent a Movie from the iTunes Store on Your Computer*, APPLE, http://support.apple.com/kb/HT1390?viewlocale=EN_US&locale=EN_US (last visited Jan. 16, 2015).

166 *About Oyster*, OYSTER, https://www.oysterbooks.com/about (last visited Jan. 16, 2015).

167 *eBooks*, WATERSTONES.COM, http://www.waterstones.com/waterstonesweb (last visited Jan. 16, 2015).

168 *See Shop New and Pre-owned Digital Goods*, REDIGI, https://www.redigi.com/site/shop.html (last visited Jan. 16, 2015); *iTunes Store*, *supra* note 161.

169 Although retailers could, in the short term, raise prices because of the effects of the secondary market, as discussed in *supra*, Section IV.B.

ample, streaming services for musical, audiovisual and literary works enable consumers to mass-consume works at a monthly cost, potentially making the price per work consumed very low. Unlike with purchasing a second-hand copy, though, these services merely grant access to works, forcing consumers to continue to pay the monthly price if they wish to, for example, listen to a song in more than one month. Furthermore, if a consumer who normally watches very few movies, wants to watch a particular movie, subscribing to a streaming service for one month may be more expensive than purchasing a digital copy of the movie on, for example, Amazon. In that event, a digital second-hand copy would probably be the most affordable option too. Thus, this example illustrates that while the current market is able to offer affordable access to some consumers (in this particular example, consumers who would like to purchase a significant amount of music or audiovisual works per month), a digital first-sale doctrine would offer some additional benefits in terms of affordable access; benefits, that the current market lacks.

Another benefit for access that would be brought about by a digital first-sale doctrine is that secondary rental markets enabled by a digital first-sale doctrine would enhance the public's access to works.[170] However, this benefit is already being achieved, to an extent, by the primary markets. Established rental markets exist for at least textbooks[171] and audiovisual works.[172] Of course, consumers could be willing to rent their copies at a lower cost than profit-seeking corporations, in order to recoup the costs of purchasing the copy. Any digital transfers would however have to be monitored by "forward-and-delete" technologies or ReDigi 2.0-type solutions, and they would have to be compensated for their services, bringing the price of renting higher. It can therefore be argued that the benefit on access by a digital first-sale doctrine in this sense is only marginal, at least for those types of copyrighted works that are already being distributed through rental markets by retailers.

While it can be established that the current market offers a variety of alternative distribution channels for consumers of music and audiovisual works particularly, this is not the case for all copyrighted works, such as intangible copies of software. Hence, in that area, the access-related benefits of a digital first-sale doctrine could be more significant in comparison to the current legislative framework. However, the relatively new distribution markets, discussed above, have proven successful in battling harm-

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170 *See supra*, Section IV.B.

171 *See Rent Kindle Textbooks*, AMAZON, http://www.amazon.com/gp/help/customer/display.html?nodeId=200690040 (last visited Jan. 16, 2015).

172 *See How to Rent a Movie from the iTunes Store on Your Computer*, *supra* note 165.

ful effects on copyright holders, such as piracy.[173] It is possible that, in the looming threat of the negative effects of a digital first-sale doctrine, the market could come up with a lower-cost solution for the consumption of software, too.

As for the non-economic benefit discussed in Section IV.B, i.e., widening of the "knowledge pool" in general, it can be noted that this benefit results directly from improvements in access.[174] Therefore, its magnitude is likely to be slightly smaller in a legislative framework that does not recognize a digital first-sale doctrine, as opposed to a legislative framework facilitating a digital first-sale doctrine and thus marginally increasing access.

These considerations and examples illustrate the ability of the current legislative framework to facilitate similar benefits to those of a digital first-sale doctrine, although it is also recognized that a digital first-sale doctrine would be able to offer something "extra" in terms of access and incentive benefits. However, a digital first-sale doctrine would not constitute that significant a development from the public's point of view in terms of the variety of distribution technologies that are able to function in the legislative framework. Though new innovations should not be discouraged simply because the benefits that they confer are marginal, their negative implications in terms of the aim of the law need to be met and balanced by sufficient positive effects in order to reach the aim — "progress," in this case.

Furthermore, there are some additional issues with the cannibalization problem, which may affect the worthiness of the legislature enabling a digital first-sale doctrine, in light of the marginal nature of access-related benefits. Two will be discussed here briefly. First, as identified in Section III.A.2., retailers and authors could render the effects of a digital first-sale doctrine nugatory by increasing the use of DRM measures, thus technologically limiting consumers' ability to resell their copies, which would reduce the access benefits and the effects of the doctrine altogether.[175] These DRM controls are protected by law, and bypassing them is illegal.[176] The legislative protection gives sellers of copyrighted material such a strong tool to restrict the benefits of a digital first-sale doctrine that any legislative amendment expressly enabling a digital first-sale would have to

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173 *See Report Reveals Dramatic Fall in Online Piracy in Norway*, World IP Review (July 17, 2013), http://www.worldipreview.com/news/report-reveals-dramatic-fall-in-online-piracy-in-norway.

174 *See supra*, Section IV.B.

175 *See generally DRM*, Electronic Frontier Foundation, https://www.eff.org/issues/drm (last visited Jan. 16, 2015).

176 17 U.S.C. § 1201 (2012 (as amended by Digital Millenium Copyright Act, Pub. L. No. 105-304, 112 Stat. 2860 (1998)).

address the role of DRM in digital resales. This would mean revising an entirely different area of copyright law.

A second additional issue relating to access is allowing "too much" access. A full-fledged digital first-sale doctrine could open itself up for risks of piracy. Resale services would have to necessarily monitor that, first, the resold files have been lawfully acquired, and second, the seller does not retain copies of the files. Thus, a digital first-sale doctrine requires that both the files and the seller's device be scrutinized at the point of resale. While both of these things are addressed by forward-and-delete technologies like ReDigi 1.0, as well as ReDigi 2.0,[177] they are not foolproof,[178] and their verifying mechanisms may be subject to circumvention by pirates. In the worst-case scenario, digital resale services could enable pirates to "convert" their illegal files into seemingly legitimate files by selling them through a digital distribution service.

V. CONCLUSION

Authors' exclusive distribution rights in the current legislative framework are restricted by the first-sale doctrine. Even though the historical justification for it seems to plausibly apply for digital works too, it is the particular wording in § 109(a) that makes the functioning of a digital doctrine challenging, mainly because it does not only implicate the distribution right, but also the reproduction right. The distribution right was historically justified by its role in giving effect to the reproduction right, the primary purpose of the Copyright Act. Therefore, digital distribution technologies that implicate the reproduction right, such as forward-and-delete mechanisms and ReDigi 1.0, cannot be interpreted to fall within § 109(a).[179] While innovations, such as ReDigi 2.0, may provide a technological way around the section's wording, they only offer a limited solution, which may be circumvented by, for example, terms in licenses or DRM measures.[180] Relaxed statutory interpretation or technological innovations do not provide a meaningful way to develop the doctrine in the digital context. The only way to meaningfully facilitate a digital first-sale doctrine is by statutory amendment.

However, the legislature should not amend the Copyright Act to include a digital first-sale doctrine in light of the powers granted to it by the Constitution. While the historical justification for restricting authors' distribution rights, i.e., prohibiting restraints on alienation of property, may apply in the digital context, the analysis based on the wider policy aim of

177 U.S. Patent No. 8,627,500, *supra* note 14.
178 *See supra*, Section III.A.2.
179 *See supra*, Section III.A.
180 *See supra*, Section III.A.2.

facilitating progress in the area of copyright law shows that a digital first-sale doctrine may bring about too many costs without offsetting benefits.[181] Some of the arguable benefits of the digital doctrine are already being achieved by the market in the current legislative framework, although not to the same extent that the digital doctrine would enable. The doctrine, however, would bring about a significant cost in the digital environment — cannibalization of the primary market by a secondary digital market, since digital second-hand copies are almost perfect substitutes for original digital copies. The cannibalization effect would lead to a reduction in authors' incentives, which would negatively affect the quality and quantity of copyrighted works available for the public, thus damaging "progress."[182] It is unlikely that the marginal benefits of the doctrine would outweigh this cost.

The issue of the law adapting to the era of digital abundance and new technology is crystallized in the consideration of a digital first-sale doctrine. As the ways of consuming and distributing copyrighted works are changing, confusion has formed in the interaction of § 109 and new distribution technologies. However, our copyright laws are premised on analogue scarcity, and their application in the digital context warrants careful consideration. Looking into the justification for copyright protection, the Copyright Clause provides us with a standard that we aim to reach in making decisions on policy. In this particular issue of the extent of the first-sale doctrine, though, the analysis shows that extending it to the digital context is not preferable from the point of view of the Clause.

181 *See supra*, Section IV.B, IV.C.
182 *See supra*, Section IV.C.

HOW SIMILAR IS TOO SIMILAR: THE PREDICTABILITY OF COURT DECISIONS IN MUSICAL LYRICS COPYRIGHT CASES

by NICHOLAS TSUI*

ABSTRACT

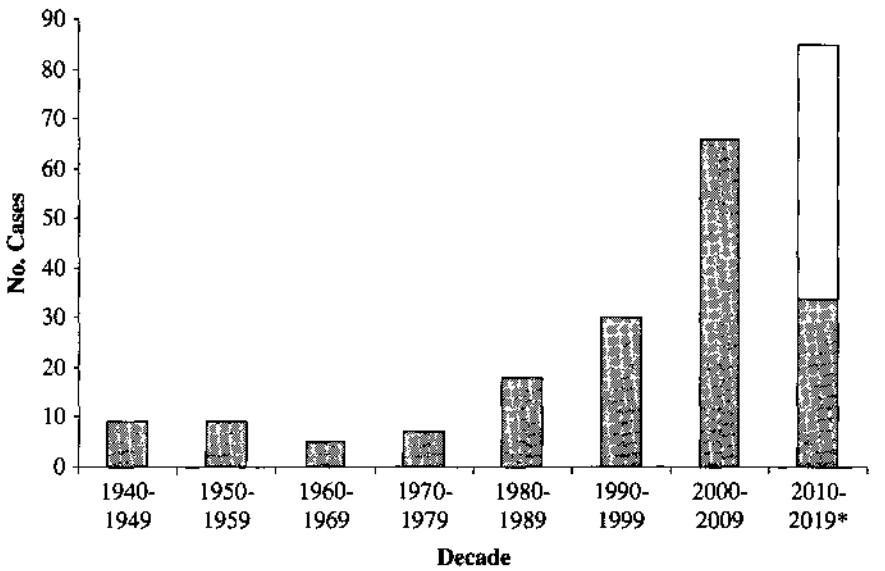
The number of music copyright cases involving lyrics has increased significantly in recent years. At the same time, litigation has become more geographically dispersed, affecting courts in every circuit. With this increased frequency and spread of cases, it is important that courts apply copyright law consistently. However, the test for whether two works are so substantially similar as to constitute infringement is made through the eyes of an "ordinary observer" rather than a music expert, and courts have differed in treating this as an objective or subjective test. In this study, I examined the consistency of the ordinary observer test in determining how similar was too similar. Despite the various ways in which different courts have interpreted how to implement this test, I found that the similarity judgments in courts throughout the country were actually quite consistent. In fact, they were so consistent that I was able to accurately predict the court's outcome over 90% of the time using a simple similarity metric that counted overlapping words, phrases, and lines. My similarity metric was based purely on theory and was never fitted to any data set. Further, I was able to implement my similarity analyses using modified software algorithms commonly used for plagiarism detection, allowing me to automatically generate dozens of song comparisons in a fraction of a second. My results indicate that courts' decisions on substantial similarity follow a relatively simple pattern analysis that while fact-specific was not so nuanced as to be unpredictable. This simple, yet reproducible, approach is perhaps befitting of the ordinary observer the test seeks to represent. Moreover, if outcomes may be accurately predicted ahead of time by a simple similarity metric, many more cases could potentially be settled without litigation. This could provide a useful settlement tool as the number of musical lyrics copyright infringement cases continues to rise.

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I. INTRODUCTION

The number of music copyright cases involving lyrics has increased significantly in recent years (Figure 1). While litigation historically occurred most frequently within the Second Circuit, litigation has increasingly become more geographically distributed (Table 1). In fact, musical lyrics copyright litigation over the last decade affected courts in just about every circuit in the country.

Figure 1: The number of cases returned by a WestlawNext™ search for "copyright song lyrics similarity" totaled 178 on January 9, 2014.[1]



[1] The 2010–19 projection is based on the actual 2010–13 data (the filled portion of the column) plus a straight line extrapolation for 2014–19 (the unfilled portion of the column). Data is provided in Table 1 of the Appendix. The case counts include appeals, since the appealed issues would have to be reviewed by the appellate court. Not all of the cases returned by the Westlaw search actually concerned the type of musical lyrics copyright infringement examined by this study (explained further in Methodology), so this count is somewhat over-inclusive. On the other hand, many of these cases involved more than one set of accused lyrics, which would have an under-inclusive effect. Overall, this broad count should be sufficient to indicate the general trend of musical lyrics copyright litigation.

Table 1: Breakdown of musical lyrics copyright cases by binding circuit.

Circuit	Total # cases	% of cases	1940-1969 % of cases	1970-1999 % of cases	2000-present % of cases
1	6	3%	-	2%	5%
2	74	42%	78%	47%	30%
3	8	4%	4%	5%	4%
4	2	1%	-	-	2%
5	12	7%	-	7%	8%
6	23	13%	-	13%	16%
7	11	6%	4%	4%	8%
8	4	2%	9%	4%	-
9	22	12%	4%	11%	15%
10	2	1%	-	2%	1%
11	11	6%	-	4%	9%
DC	3	2%	-	2%	2%

Interestingly, lyrics are considered a secondary characteristic of music, compared to primary characteristics like melodies and harmonies.[2] However, Cronin suggests that profitable and popular American songs have increasingly consisted of arranged sounds and beats as their primary characteristics rather than traditional melodies and harmonies.[3] Sounds and beats receive less copyright protection than melodies and harmonies because the increased difficulty in proving originality of such basic musical elements. Thin copyright protection afforded to these weak primary characteristics elevates the importance of secondary characteristics like lyrics.

With this increased frequency and spread of cases involving infringement of musical lyrics, it is important that courts apply copyright law consistently. There are two essential elements that a plaintiff must prove in order to prevail in a copyright infringement claim. First, the plaintiff must prove that the defendant copied the plaintiff's work.[4] And second, the defendant's copy (or work produced as a result of copying) must be substantially similar to the plaintiff's protected expression.[5] The first element addresses issues of access to the plaintiff's work, proof or inference of copying, and the defendant's potential independent creation.[6] The second element addresses the more difficult and nebulous tasks of determining whether the defendant copied enough of the plaintiff's work to constitute

[2] Charles Cronin, I Hear America Suing: Music Copyright Infringement in the Era of Electronic Sound 64-66 (2014) (U.S.C. Law Legal Studies Paper No. 14-6), *available at* http://ssrn.com/abstract=2394339.

[3] *Id.*

[4] Paul Goldstein, Goldstein on Copyright § 9.3.1.1 (The Protected Expression Test) (2014).

[5] *Id.* § 9.3.1.2 (The Audience Test).

[6] *See id.* § 9.3.1.1.

infringement and whether those copied portions of the plaintiff's work are sufficiently original to be protected under copyright law. Courts consider both quantitative and qualitative similarity. For example, the court may find substantial similarity from a quantitatively small level of similarity if the similarity is qualitatively substantial and vice versa.[7]

Then, there are defenses, such as de minimis and fair use, both of which somewhat overlap with the question of how much copying by the defendant is impermissible. The de minimis defense allows the defendant to make a substantially similar copy of the plaintiff's protected expression if the copied expression represents a very small proportion of the plaintiff's work.[8] The fair use defense allows the defendant to copy as much as necessary to invoke the original for purposes such as parody, criticism, news reporting, or teaching.[9]

Each of the two elements that the plaintiff must prove in a copyright infringement claim requires the court to make subjective determinations. This raises concerns over consistency across different courts and different cases. The first element is somewhat easier because the court can look for objective proof of access and copying. Part of the second element also includes the more objective task of determining whether an expression has appeared in previous work and is therefore not a protected expression. For example, once a particular word, phrase, or line is deemed unoriginal (and thus, not copyrightable), future cases can simply ignore whether that word, phrase, or line has been copied. However, the second element has an added complication that makes it particularly difficult because the judgment of substantial similarity is made specifically through the eyes of the target audience or ordinary observer.[10] Thus, if a plaintiff accused a defendant of copying the exact same words, phrases, or lines already asserted in some past case, the outcome of the test could be different if these works were, say, in a different genre of music such that the intended audience would perceive them differently.[11] Therefore, a judge or jury may often use their own personal judgment instead of relying on expert testimony,

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[7] *See id.* § 9.3.1.2.

[8] TufAmerica, Inc. v. Diamond, 12 Civ. 3529 (AJN) 2013 WL 4830954, at *6-7 (S.D.N.Y. Sept. 10, 2013) (considering small segments of digital sampling as *de minimis* if not above a minimum quantitative threshold for substantial similarity, which is required independently of any qualitative significance). *But see* Bridgeport Music, Inc. v. Dimension Films, 410 F.3d 792, 798-804 (6th Cir. 2005) (holding that digital sampling was infringement by bright-line rule without needing to evaluate either de minimis or substantial similarity).

[9] 17 U.S.C. § 107 (2012).

[10] GOLDSTEIN, *supra* note 5, § 9.3.1.2.

[11] *See, e.g.*, Original Appalachian Artworks, Inc. v. Blue Box Factory (USA), Ltd., 577 F. Supp. 625 (S.D.N.Y. 1983) (considering how copyrighted "Cab-

except when an expert is used to educate the trier of fact as to the perspective of the target audience.[12]

Circuits disagree whether this ordinary observer test is objective or subjective in nature. For example, the Seventh Circuit characterizes the ordinary observer test as an objective one,[13] while the Ninth Circuit calls it a subjective one.[14] The Ninth Circuit actually uses the subjective ordinary observer test as the second prong of a two-pronged extrinsic-intrinsic test, which independently considers both objective (extrinsic prong) and subjective (intrinsic prong) similarities.[15] This approach has been followed by courts in the Fourth,[16] Fifth,[17] and Eleventh[18] Circuits.

Additionally, courts may view the "total concept and feel" of two works for similarity or they may view only fragments of the two works for similarity. Some courts have refused to include uncopyrightable elements when considering the total concept and feel of a copyrighted work, but most courts have held that a "unique arrangement of individually unprotectable elements can form an original expression entitled to copyright protection."[19] Still, in order to find infringement, courts may require that the infringing song use such a combination of unprotectable elements "in its entirety in a nearly identical manner."[20] If the defendant's copy is exact or near exact, but nevertheless does not reflect the overall essence or theme of the plaintiff's work (i.e., total concept and feel), the court may examine localized substantial similarity rather than global similarity between the two works.[21] Such an analysis assesses what is called frag-

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bage Patch Kids" would be perceived by children specifically as the target audience as opposed to a general observer).

12 GOLDSTEIN, *supra* note 5, § 9.3.1.2.

13 *See, e.g.*, Hobbs v. John, No. 12 C 3117, No. 12 C 3117, 2012 WL 5342321, at *2 (N.D. Ill. Oct. 29, 2012), *aff'd*, 722 F.3d 1089 (7th Cir. 2013); Allen v. Destiny's Child, No. 06 C 0606, 2009 WL 2178676, at *7 (N.D. Ill. July 21, 2009).

14 *See, e.g.*, Three Boys Music Corp. v. Bolton, 212 F.3d 477, 485 (9th Cir. 2000).

15 *See id.*

16 Staggs v. West, No. PJM 080728, 2009 WL 2579665, at *2 (D. Md. Aug. 17, 2009).

17 Positive Black Talk Inc. v. Cash Money Records, Inc., No. Civ. A, 02-425, 2003 WL 1921999, at *3 (E.D. La. Apr. 21, 2003), *aff'd* 394 F.3d 357 (5th Cir. 2004).

18 Lil' Joe Wein Music v. Jackson, No. 06-20079-Civ., 2006 WL 5428227, at *3 (S.D. Fla. Oct. 27, 2006), *aff'd*, 245 Fed. App'x 873, 877 (11th Cir. 2007).

19 *Hobbs*, 722 F.2d at 1093 n.4 (questioning, but not explicitly reversing, the district court's outright denial of a protectable combination of unprotectable elements because the district court nevertheless performed the analysis and correctly found no substantial similarity).

20 Peters v. West, 776 F. Supp. 2d 742, 749 (N.D. Ill. 2011).

21 TufAmerica, Inc. v. Diamond, 2013 WL 4830954, at *5.

mented literal similarity and represents yet another approach that a court may use to determine substantial similarity (or lack thereof).

With all of these different standards of objectivity versus subjectivity, whether to view the work as a whole or only the copyrightable portions, and whether to compare only fragmented portions of the works, there may be great concern over how courts could possibly maintain any understandable levels of consistency across cases being litigated throughout the country. In this study, I set out to examine whether the courts' determinations of substantial similarity in musical lyrics copyright cases utilized a consistent logic such that decisions were understandable and reproducible. Before reading any cases, I developed a simple metric based on the total number of words, phrases, and lines that the defendant's work shared in common with the plaintiff's work and what portion of the plaintiff's work that sharing represented. I then compared the results of my simple metric to actual case outcomes as well as the courts' underlying rationale for holding works either substantially similar or not substantially similar.

I found that my simple metric correctly predicted the court's determinations of substantial similarity for more than 90% of the cases. Analysis of the court opinions indicated that the court's rationale was basically a comparison of copyrightable words, phrases, and lines. Perhaps not surprisingly, my metric was quite accurate for the extreme scores, with the few inaccurate identifications clustered somewhat near the middle scores. Thus, it would seem that diverse judges and juries in courts all over the country displayed a pretty consistent understanding of how similar was too similar. They seemed to follow a simple pattern analysis that while fact-specific was not so nuanced as to be unpredictable.

If we can accurately predict the court's determination of similarity early in the litigation process, many more cases could potentially be settled, saving both the parties and the courts a significant amount of time, effort, and money. In this study, I have developed and validated a tool that may provide a quick, accurate, and cheap alternative to extensive analysis by lawyers, judges, and musical lyrics experts. Such a tool could also help prioritize cases, guide searches for potential infringement, and assist in making changes to avoid infringement. In the next section, I describe the development and evaluation of my similarity metric, as well as how I examined copyright cases. In Section III, I compare the results of the similarity metric against actual court outcomes. In Section IV, I discuss the results in the context of settlement behavior. And finally, in Section V, I present conclusions.

II. METHODOLOGY

Starting with a WestlawNext™ search for "copyright song lyrics similarity," I assessed only song pairs for which I could find complete lyrics

either in the court opinion, in the online docket,[22] or on the Music Copyright Infringement Resource.[23] I considered only cases where a substantial similarity judgment was made. And I ignored cases where one of the works was not a song or was a short "jingle" (such as, a television commercial, where even the smallest amount of similarity would naturally appear quantitatively significant by the mere brevity of the plaintiff's underlying work). This resulted in a total of twenty-nine cases involving forty-four substantial similarity judgments. While some of these judgments were appealed, in all cases the final appellate court's judgment affirmed the district court's judgment. While, in theory, these could count as additional court judgments, I chose to ignore these as duplicative since all district court judgments were eventually affirmed.

I created a similarity score based on the amount of the plaintiff's lyrics that appeared in the defendant's lyrics as a percentage of the total number of possible lyrical elements present in the plaintiff's song. But a defendant merely using many of the same words may be a weak indicator of copying. A defendant using the same words in the same order is a much stronger indicator. So instead of simply counting individual words that appeared in both songs, I utilized a more complex methodology regularly employed by plagiarism detection software. Automated plagiarism detection software commonly uses an algorithm based on "N-grams."[24] To use this algorithm, the user picks a value "N," which represents the number of elements (or "grams") in a row to consider for potential copying. For example, if N is three (called "3-grams") and the plaintiff's work is text of English words, the algorithm says to create a set that includes every sequential three-word ("3-gram") combination that appears in the plaintiff's work. Thus, a 3-gram analysis of the line "I saw the cat run" would produce the following set:

{I saw the, saw the cat, the cat run, cat run I, run I saw}

The same analysis is then performed on the defendant's work. The total number of shared 3-grams divided by the total number of 3-grams in the plaintiff's set represents the percentage copied.

There are two important implementation details. First, the algorithm wraps the end of a work to its beginning. This is why the analysis considers "cat run I" and "run I saw" even though the plaintiff's work does not technically use those phrases. The algorithm includes these elements be-

22 I used http://www.bloomberglaw.com/dockets.

23 I used http://mcir.usc.edu, a database sponsored by Columbia Law School and the U.S.C. Gould School of Law.

24 *See* Saul Schleimer, Daniel S. Wilkerson & Alex Aiken, Winnowing: Local Algorithms for Document Fingerprinting 76-78 (2003) (SIGMOD 2003 (June 9-12, 2003)).

cause they add weight to the score if the defendant copied both the exact way in which the plaintiff's work began and ended. Second, the algorithm considers repeats in the plaintiff's work as independent elements that may be copied but does not do so for the defendant's work. This is consistent with copyright law, which is only concerned with the amount of the plaintiff's work copied, not what percentage of the defendant's work represents copied material.

The N-grams methodology is distinct from simple word counts because it considers the order in which words appear. The methodology automatically weighs the shared appearance of a long string of consecutive words more heavily than the shared appearance of many short strings. There are theories on how to choose a value for N that optimizes results against search times for particular types of works, and the N-grams algorithm may be used for many other formats besides English text.[25] Indeed, it is often used to detect copying in lines of software code.[26]

For this study, I modified the general N-grams methodology to apply more specifically to musical lyrics copyright law. I continued to use 3-grams because short English phrases typically contain three words. But I added individual words, as well as lines of lyrics, to the set. I considered individual words because copyright law uses the ordinary observer test for substantial similarity. The N-grams algorithm was designed to find "true" copying, not the ordinary observer's perception of copying. And the ordinary observer is likely to weigh individual words, regardless of their "true" value. The ordinary observer is also likely to weigh lines of lyrics. Song lyrics are comprised of stanzas or verses, which in turn are comprised of individual lines of lyrics which coincide with the musical elements of a song. Lines of lyrics are musical phrases that the ordinary observer will likely remember, while entire stanzas are probably too long to make a lasting impression.

While I assumed that the ordinary observer likely weighed the repeat of individual words, I also assumed that even the ordinary observer would not attach much weight to the most common articles of the English language (such as "and" or "the"). Thus, these words were excluded from individual word analysis but retained for the analysis of repeat phrases or lines.[27] Thus, the final modified 3-gram analysis of the line "I saw the cat run" would produce the following set:

{I, saw, cat, run,
I saw the, saw the cat, the cat run, cat run I, run I saw,
I saw the cat run}

---

[25] *See id.*

[26] *See id.*

[27] The complete list of ignored individual words is provided in the Appendix.

There are a total of ten lyrical elements produced from this line. A line from the defendant's song that used none of the same words would have a score = 0/10 (0%). A line that used all of the same words but in a completely different order would have a score = 4/10 (40%). And an exact copy of the line would have a score = 10/10 (100%).

Of course, minds may disagree as to which articles are most properly excluded from individual word analyses. And a stricter adherence to copyright law would also exclude any words, phrases, or lines previously found in the case law to be uncopyrightable. However, the cases examined in this study spanned many decades over which the types of words, phrases, and lines considered commonplace (uncopyrightable) likely evolved over time. This study valued the simplicity of the similarity metric as implemented and left such improvements for future study.

The predictive ability of my scoring methodology was evaluated by receiver-operating characteristic analysis (ROC).[28] ROC plots the number of true positives versus the number of false positives at every potential threshold level. The area under the curve (AUC) indicates the quality of the test. AUC of 1 means the test perfectly differentiated the two sets of data (in this case, that would mean 100% accurate prediction of court outcomes). AUC of 0.5 means the test was no better than simply flipping a coin to guess the court's outcome. So, for example, each song pair in my analysis had a similarity score and a real court outcome. To evaluate the quality of my methodology, one would pick a threshold value such that every score below the threshold would predict a court holding of not substantially similar and every score above the threshold would predict a court holding of substantially similar. Given the actual court outcomes, I can plot the number of correct predictions versus the number of incorrect predictions. I then repeat this analysis for every possible threshold value (my scores run from 0-100%) to produce the ROC plot, for which I can then calculate the AUC. Higher AUC values indicate better quality tests. This technique is very prevalent in the medical diagnostics community, which has deemed general levels of test quality: 0.9-1.0 is excellent; 0.8-0.89 is good; 0.7-0.79 is fair; 0.6-0.69 is poor; and 0.5-0.59 is only marginally better than random guessing.[29] Additionally, the threshold value that produces the point on the ROC that is closest to the (0,1) point (which repre-

[28] Kelly H. Zou, et al., *Receiver-Operating Characteristic Analysis for Evaluating Diagnostic Tests and Predictive Models*, 115 CIRCULATION 654, 654-57 (2007).

[29] Kaiser Permanente Center for Health Research, Receiver Operating Characteristic (ROC) Curves, slide 35, *available at* http://www-archive.thoracic.org/sections/meetings-and-courses/mecor-courses/resources/level4-roc-curves-2009.pdf (last visited May 12, 2014).

sents the perfect test) is the optimal threshold level to use when later implementing the test to predict the outcome of court decisions.

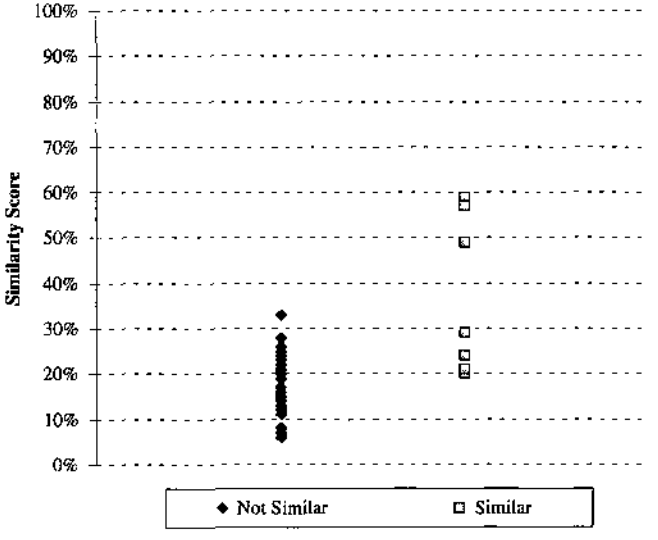
I also surveyed three music copyright lawyers with experience representing both plaintiffs and defendants. I asked each lawyer the same questions concerning what drives settlement behavior, how they personally evaluate substantial similarity, and their perception of how judges and juries evaluate substantial similarity. Each spoke on condition of anonymity, and I describe their answers in the Discussion as a general group.

III. DATA ANALYSIS

A. Summary of Results

As described previously, my similarity metric calculated a "score" based on the percentage of words, phrases, and lines of the plaintiff's lyrics that appeared in the defendant's lyrics. Although courts have held that copyright infringement cannot be determined by simple word counts alone,[30] my simple score accurately predicted the court's outcome about 91% of the time (40/44 cases). As shown in Figure 2, the data fall into two distinct regimes: scores below 33% and scores above 49%.

Figure 2: Forty-four song pairs were analyzed and plotted by similarity score. forty pairs fall into two distinct regimes accurately predicting substantially similar or not substantially similar determinations, while four scores failed to accurately predict the court's outcome.



[30] TufAmerica, Inc. v. Diamond, 2013 WL 4830954, at *7 (quoting Nihon Keizai Shimbun, Inc. v. Comline Bus. Data, Inc., 166 F.3d 65, 71 (2d Cir. 1999)).

In all of the cases where the court determined that the works were not substantially similar, my similarity score returned a value less than 33%. In the cases where the court determined that the works were substantially similar, there were four pairs that returned similarity scores less than 33%. These four pairs represent false negatives (low scores that the court nevertheless held substantially similar), and there were no false positives. I will address these false negatives in detail later in this section. Overall, the difference between the similarity scores for the set of not substantially similar judgments and the set of substantially similar judgments (including the false negatives) was very statistically significant (Table 2).

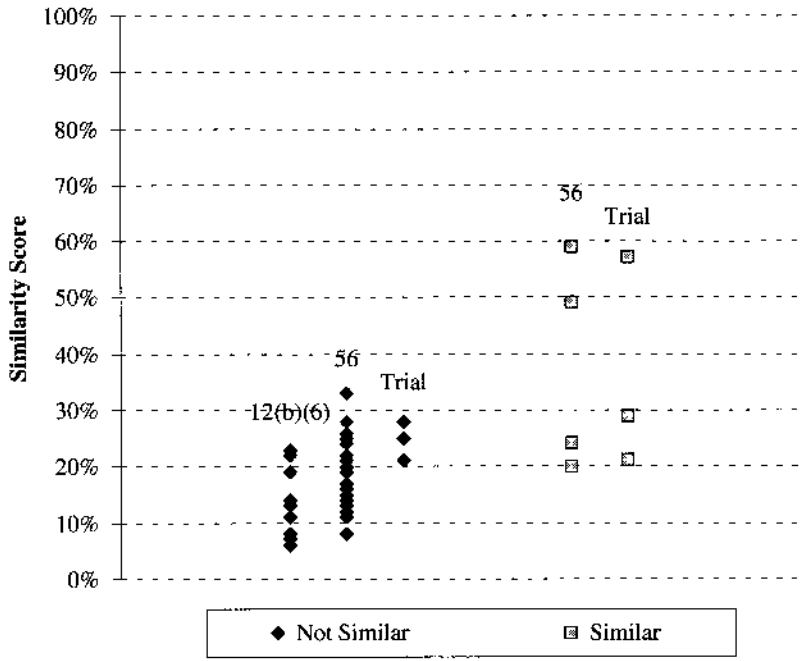
Table 2: The Z-test to compare two populations returned a statistically significant p-value[31] between the not substantially similar set and the substantially similar set.

	Not Substantially Similar	Substantially Similar
Mean Score	34%	52%
Std. Dev. Score	11%	16%
No. of Judgments	37	7
	Z-test p-value	0.002

One might expect that low similarity scores get disposed of earlier in litigation proceedings, since low scores should signal weak cases for substantial similarity. Figure 3 plots the similarity scores by stage of litigation where the case was decided. While there was much overlap in the scores at each stage, the data seem to indicate that the similarity scores of cases decided at later stages of litigation were somewhat higher on average than those at earlier stages. Of course, one may also expect that cases with very high similarity scores would be settled earlier as well. This may explain why there were no judgments issued with scores higher than 60%.

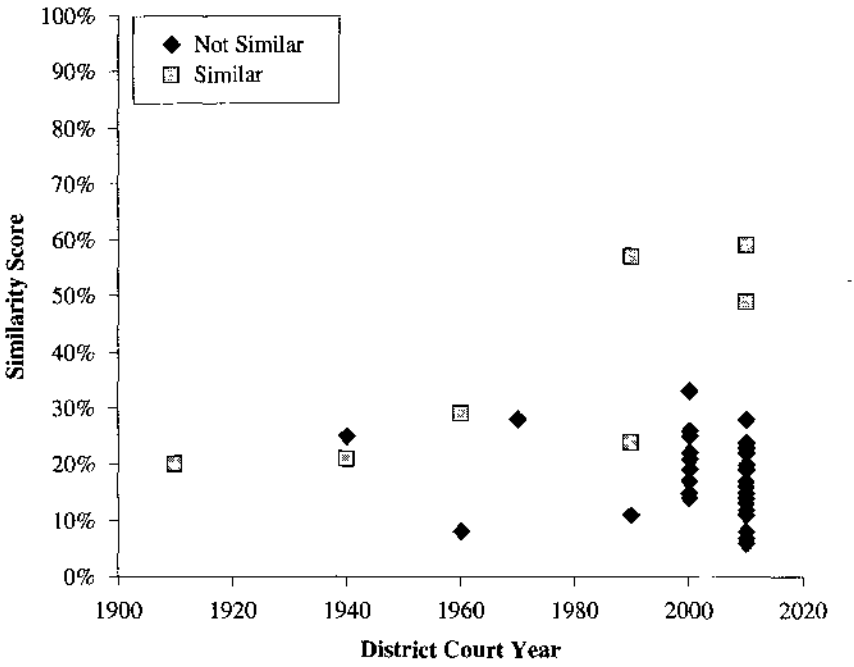
[31] $Z = (\mu_1 - \mu_2) / \text{sqrt}((\sigma_1/N_1)^2 + (\sigma_2/N_2)^2)$; then Z is converted to a p-value by Z-test data tables. I considered any p-value less than 0.05 to be statistically significant.

Figure 3: The similarity scores for the forty-four song pairs plotted by final judgment and stage where the judgment was issued. The three stages in order of earliest to latest were Rule 12(b)(6) motion to dismiss, Rule 56 summary judgment, and Trial.



Similarity scores were also plotted by year and by circuit in Figures 4 and 5, respectively, to investigate the consistency of judgments over time and within circuits. As shown in Figure 4, judgments were quite consistent within any particular decade, although what level constituted substantial similarity appeared to vary across decades. Only one decade contained judgments where a pair of works found substantially similar had a lower similarity score than a pair of works found not substantially similar. That was the 1940s. Analysis by circuit produced a similar pattern of internal consistency. As shown in Figure 5, only the Second Circuit contained judgments where a pair of works found substantially similar had a lower similarity score than a pair of works found not substantially similar. The dates for these anomalies were 1915, 1947, and 1964. All of the other circuits were internally consistent with their judgments of substantial similarity scoring higher than judgments of no substantial similarity.

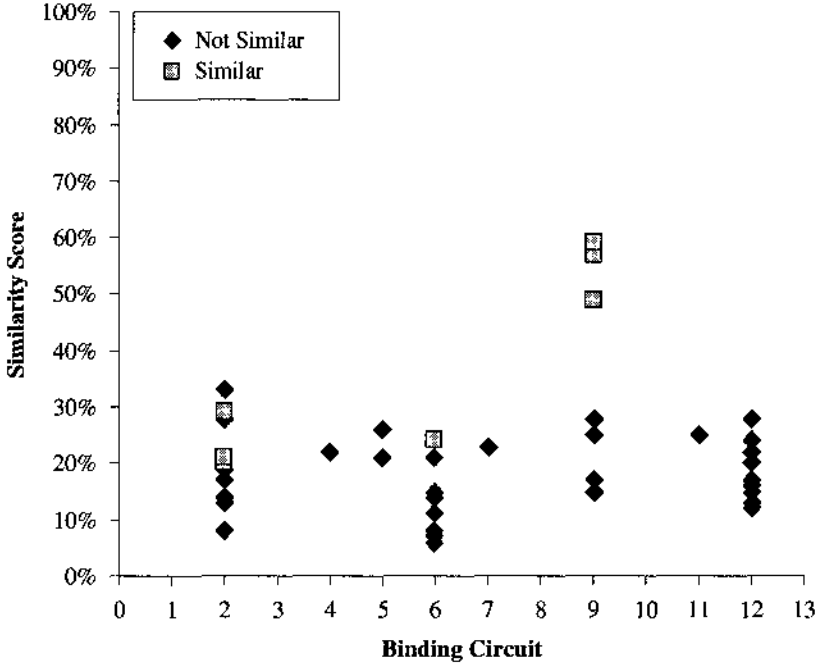
Figure 4: The similarity scores for the forty-four song pairs plotted by year of the district court's judgment for or against substantial similarity.



Overall, recent decisions appeared to be more consistent than past decisions, and judgments were completely consistent within their binding circuit (except for within the 2nd Circuit). This could reflect the courts' increased experience as well as larger body of precedent over time. Despite the courts stating that copyright infringement could not be determined by word counts, perhaps there was a little more a court could do to determine similarity other than also considering the order of words. My similarity metric considered both word counts and order of words and was able to accurately predict the court's outcome in forty out of forty-four judgments.[32] The next two sections will more deeply explore the court's opinion in these cases to understand what techniques the court used to make their substantial similarity judgments. First, I will discuss decisions that were correctly predicted by my similarity score. Then, I will examine each of the false negatives.

[32] This begs the question whether word counts alone could accurately predict the outcomes of court decisions. However, since word counts alone are clearly rejected by the law, I did not pursue such a technique. Still, I include the results of a word-count-only method in Section III.E as a model validation comparison.

Figure 5: The similarity scores for the forty-four song pairs plotted by binding circuit, with the D.C. Circuit plotted as "12."



B. Examining the Court's Rationale

The court can rule in favor of no substantial similarity by granting a defendant's Rule 12(b)(6) motion to dismiss,[33] a Rule 56 motion for summary judgment,[34] or verdict for the defendant after completing the trial. Conversely, the court can rule in favor of substantial similarity by granting a plaintiff's Rule 56 motion for summary judgment or verdict for the plaintiff after completing the trial. In this section, I discuss example cases from each of these possible outcomes and examine the court's rationale for the decision that it made. Based on the court opinions, substantial similarity of lyrics primarily involved analysis of words and phrases, as predicted,

[33] The standard for a Federal Rules of Civil Procedure 12(b)(6) motion to dismiss is whether the plaintiff's pleading contains sufficient facts, even if taken as true, that "state a claim to relief that is plausible on its face." Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (quoting Bell Atl. Corp. v. Twombly, 550 U.S. 544, 570 (2007)).

[34] The standard for a Federal Rules of Civil Procedure 56 motion for summary judgment is whether there are any unresolved material questions of fact that require a trial or whether judgment can be made as a matter of law.

and a number of courts performed some form of word counts. They seemed to focus on "hook" lyrics (the main refrain or chorus), likely as a measure of qualitative similarity, although they did not expressly weigh the hook differently. Perhaps an express weighing was unnecessary given that the hook lyrics were usually repeated, such that quantitative metrics already accounted for its importance. In fact, at least one court discussed below linked qualitative importance to quantitative significance.[35]

1. Rule 12(b)(6) – Not Substantially Similar

In *Hobbs v. John*, the plaintiff Guy Hobbs asserted that the lyrics to Elton John's *Nikita* infringed upon the lyrics to this own song *Natasha*.[36] The defendant Elton John asked the court to grant a motion to dismiss under Rule 12(b)(6), pleading that the lyrics were so dissimilar as to fail the minimal pleading standards to state a plausible claim of infringement.[37] The court applied the Seventh Circuit's test of "unauthorized copying of constituent elements of the work that are original" and determined that John's lyrics were not substantially similar as judged by the ordinary observer.[38] The court characterized the ordinary observer test for substantial similarity as an objective one, and it expressly analyzed words and phrases in performing the test.[39]

First, the court eliminated consideration of lyrics that were not sufficiently unique as to warrant copyright protection. For instance, the court specifically stated that the word "never" alone was not a protected expression, and it was therefore of no moment that it appeared twelve times in *Natasha* and eleven times in *Nikita*.[40] Likewise, the court held that the phrase "to hold you" was common usage in musical lyrics, and therefore the fact that it was repeated three times in *Natasha* and four times in *Nikita* would not be considered.[41] The court did, however, compare Hobbs' lyrics "you never sent me a Valentine" to John's "do you ever see the letters that I write," as well as Hobbs' "Misty tears in those pale blue eyes" to John's "With eyes that looked like ice on fire."[42] The court held that Hobbs' and John's lyrics were entirely different expressions of generic underlying themes of mail correspondence and pale eyes, which themselves

35 Positive Black Talk Inc. v. Cash Money Records, Inc., 394 F.3d 357, 374 (5th Cir. 2004).

36 2012 WL 5342321 at *2.

37 *Id.* at *1.

38 *Id.* at *3.

39 *Id.*

40 *Id.* at *5-6.

41 *Id.*

42 *Id.* at *6.

as themes were unprotectable ideas.[43] The court refused to consider the uncopyrightable elements in combination with the copyrightable elements as part of a "total concept and feel" test and granted John's motion to dismiss.[44] My computer program returned a similarity score of 23% for these two songs, which fit squarely in the range associated with not substantially similar.

2. Rule 56 – Not Substantially Similar

In *Currin v. Arista Records, Inc.*, the plaintiff Peter Currin alleged that the lyrics to Pharrell Williams's *Frontin'* infringed upon the lyrics to his own *I'm Frontin'*.[45] The defendants requested summary judgment under Rule 56 on the ground that no reasonable trier of fact could find substantial similarity between the two songs.[46] The court applied the Second Circuit's test of "unauthorized copying of the copyrighted work" and found no substantial similarity between the two works.[47] The case involved both music and lyrics, but the court specifically compared words and phrases in assessing lyrical similarity. The court used the "average lay observer" point of view for the substantial similarity judgment.[48]

The court again only considered original expression and disregarded the word "frontin' " itself as too common to be protected.[49] In assessing the remaining protected lyrics, the court looked not only at the literal words but also their contextual meaning. The court held that the plaintiff's phrases "mac daddy lines," "frontin' and I don't care if you know," and "frontin' like a real mac should" described a narrative of events involving sexual conquests and dishonorable intentions.[50] The court contrasted this to the defendant's phrases "I would act all nonchalant in front of an audience . . . truth be told you do me for a loop," "like you ain't my only girl when you are," and "too old to be frontin'," which were a reflection on shielding one's emotions.[51] The court concluded that, not only were the lyrics literally different, they described entirely different storylines.[52] The court may have used the analysis of contextual meaning to determine to what extent the two expressions, even if some of the words were the same, were similar (or not). That is, the same words used to

43 *Id.*
44 *Id.* at *7.
45 724 F. Supp. 286, 289 (D. Conn. 2010).
46 *Id.* at 287.
47 *Id.* at 289.
48 *Id.* at 290.
49 *Id.* at 292.
50 *Id.* at 293.
51 *Id.*
52 *Id.*

express different meanings would detract from substantial similarity. Indeed, the court specifically pointed out the different meanings behind the word "frontin' " in each song.[53]

Unlike the court in *Hobbs v. John*, the court here was willing to consider the combination of unprotectable elements combined in an original way when it performed the total concept and feel test.[54] Nevertheless, the court still concluded that no reasonable trier of fact could find that the two lyrics were substantially similar.[55] My computer program returned a similarity score of 17% for these two songs. One could potentially infer that the plaintiff must have survived the defendant's Rule 12(b)(6) motion to dismiss. Thus, this case proceeded further than *Hobbs v. John* despite having less lyrical similarity according to my metric. This may have been due to differences in the court tests or overlap in the types of similarity scores that are disposed of at these stages of proceedings. But another explanation could be that the case also concerned musical (non-lyrical) similarities that involved potential questions of fact asserted by music experts. Either way, this case was still too weak to warrant a complete trial.

3. Trial – Not Substantially Similar

In *Positive Black Talk, Inc. v. Cash Money Records, Inc.*, the plaintiff accused the defendant's song *Back That Azz Up* of infringing the lyrics and music of the plaintiff's song *Back That Ass Up*.[56] After trial, a jury determined that the two works were not substantially similar.[57] The jury was instructed to determine if "the defendant copied constituent elements of the plaintiff's work that are original."[58] The court specified using the Ninth Circuit's extrinsic-intrinsic test, with the modification that unprotectable elements not be considered in the analysis.[59] Under this test, the extrinsic analysis was objective, but the intrinsic analysis was subjective in view of the ordinary observer and was "always left to the trier of fact."[60]

The potential similarity of the lyrics seemed to revolve entirely around the common usage of the phrase "back that ass up."[61] The court suggested that the jury may have decided that there was no substantial

53 *Id.*
54 *Id.* at 294.
55 *Id.*
56 394 F.3d 357, 363 (5th Cir. 2004).
57 *Id.* at 364.
58 *Id.* at 367.
59 Positive Black Talk Inc. v. Cash Money Records, Inc., No. Civ. A, 02-425, 2003 WL 1921999, at *3 (E.D. La. Apr. 21, 2003), *aff'd*, 394 F.3d 357 (5th Cir. 2004) (noting that the jury would be instructed not to consider the common title of the works).
60 *Id.* at *2.
61 *Postive Black Talk*, 359 F.3d at 374.

similarity on the basis that the phrase occurred only a few times in the plaintiff's song, which was over seven minutes long.[62] The court explained that the jury may have also concluded that such a small quantitative usage indicated low qualitative importance.[63] At trial, there was a dispute over whether the phrase "back that ass up" was even capable of copyright protection, but the jury was not instructed to make a finding on that specific issue since it was not necessary to the final judgment.[64]

The jury was also instructed to consider the total concept and feel but only as to the elements shared between the two works.[65] On appeal, the court was satisfied that the jury correctly understood this analysis to exclude any contribution of unshared elements between the songs.[66] This was yet another embodiment of the total concept and feel test slightly different from either that was used in *Currin v. Arista Records, Inc.* or *Hobbs v. John*, both of which focused more on the treatment of uncopyrightable elements and seemed to accept the influence of unshared elements on the total concept and feel. My computer program returned a similarity score of 21% for these two songs. As before, the inability to dispose of this case earlier in the proceedings may have been due to the combination of both music and lyrics at issue, as well as the court's framing of the intrinsic portion of the test as a subjective judgment always left for a trier of fact.

4. Rule 56 – Substantially Similar

In *Henley v. DeVore*, the defendants admitted that two songs, *The Hope of November* and *All She Wants to Do is Tax*, were substantially similar to Don Henley's *The Boys of Summer* and *All She Wants to Do is Dance*.[67] The dispute was whether or not the songs, which were written for the purpose of political satire, were fair use parodies. On a motion for summary judgment, the court evaluated the level of similarity between the two songs only within the framework of the fair use test, which considered how much copying was necessary to conjure up the original work.[68]

For these songs, the court quantitatively compared overlap in word usage. It specifically noted that "65% of the 'Summer' lyrics and 74.7% of the 'Dance' lyrics were copied verbatim."[69] The court found that these levels of copying were "excessive" in comparison to what could reasonably be allowed by fair use to conjure up the original works and granted sum-

62 *Id.*
63 *Id.*
64 *Id.* n.2.
65 *Id.* at 373.
66 *Id.*
67 733 F. Supp. 2d 1144, 1150 (C.D. Cal. 2010).
68 *Id.* at 1160-61.
69 *Id.* at 1160.

mary judgment for the plaintiff.[70] My computer program returned similarity scores of 49% and 59% for these two song pairs respectively. The differences in numerical values between my scores and the court's percentages arise because my scores consider using the same words in the same order more heavily than merely using the same words. Thus, single word changes have greater effects in my metric than the court's rationale in this case. But since my scores are relative, they produce the same ultimate conclusion that these lyrics were too similar.

5. Trial – Substantially Similar

In *Three Boys Music Corp. v. Bolton*, the plaintiff alleged that Michael Bolton's lyrics and music to *Love is a Wonderful Thing* infringed upon the lyrics and music of The Isley Brothers' own song *Love is a Wonderful Thing*.[71] At trial, a jury determined that the defendant copied protected elements of the plaintiff's work, finding that the two works were substantially similar using the Ninth Circuit's two-pronged extrinsic-intrinsic test.[72] Again, the extrinsic prong was objective, but the intrinsic prong was a subjective question of "whether the ordinary, reasonable person would find the total concept and feel of the works to be substantially similar."[73]

The jury considered the lyrics[74] in combination with a number of musical characteristics, all of which alone were unprotectable, and found both extrinsic and intrinsic substantial similarity based on the defendant's use of that combination.[75] Under the extrinsic test, the Ninth Circuit declared it "well settled" that the jury may consider the combination of unprotectable elements in assessing objective similarity.[76] The Ninth Circuit affirmed the jury's extrinsic and intrinsic findings of substantial similarity. My computer program returned a similarity score of 57%, indicating that the songs were quite similar even based on lyrics alone. However, The Isley Brothers lyrics were extremely repetitive, and the mere usage of the phrase *Love is a Wonderful Thing* in any song would itself trigger a large similarity score since it represents such a large portion of The Isley Brothers' song. Nevertheless, the jury may have homed in on this similarity (the fact that both songs used the phrase as the hook) and used the combination of

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70 *Id.*

71 212 F.3d 477, 480-81 (9th Cir. 2000).

72 *Id.* at 485.

73 *Id.* (citing Pasillas v. McDonald's Corp., 927 F.2d 440, 442 (9th Cir. 1991)).

74 The primary lyrical concern seemed to be the hook, which was simply the repeated title phrase, *Love is a Wonderful Thing*.

75 *Three Boys Music Corp.*, 212 F.3d at 485.

76 *Id.*

unprotectable elements only because the phrase alone could not be enforced.

C. *Evaluating the False Negatives*

When evaluating the similarity of lyrics, there seems little a court can do beyond identify shared words, phrases, and lines. This makes quantitative comparison relatively straight forward. However, one major difference between my similarity score and the court's analysis has been my score's inclusion of uncopyrightable elements.[77] This is likely tempered by the fact that my similarity score is only lightly influenced by the common use of single words and is most heavily influenced by the same words appearing in the same order over long stretches. But, as explained previously, a court can also look to contextual meaning to determine the similarity of two expressions regardless of their quantitative similarity. Therefore, if a court determines that two identical phrases are in fact different expressions, my similarity score will overestimate the similarity of the works. Conversely, if a court determines that two phrases containing different literal words still mean the same thing and thus constitute the same expression, my similarity score will underestimate the similarity of the works. Qualitative similarity, especially in the absence of quantitative similarity, represents even more difficulty. One objective approach would be to simply link qualitative importance to quantitative significance, as the court suggested in *Positive Black Talk Inc. v. Cash Money Records, Inc.*[78] However, if a court ascribes qualitative significance in the absence of quantitative similarity, my similarity score will underestimate the similarity of the works and potentially reach an incorrect conclusion.

For the cases examined thus far, the courts have followed approaches that fit within the limits of my similarity score assumptions. This explains why my similarity score produced the same substantial similarity outcome over 90% of the time. There were no false positives, but there were four false negatives. This section examines each of these cases and finds that the discrepancies between my similarity score and the court outcomes did in fact arise from cases where the court ascribed high qualitative significance to low quantitative amounts of similarity.

1. *False Negative 1: Rule 56 – Substantially Similar*

In *Acuff-Rose Music, Inc. v. Campbell*, the plaintiff accused the lyrics and music of *Oh, Pretty Woman* by 2 Live Crew of infringing upon the

[77] My list of words and phrases to ignore contained only common-place articles rather than actual words and phrases deemed unprotectable by case law.

[78] Positive Black Talk v. Cash Money Records, Inc., 394 F.3d 357, 374 (5th Cir. 2004).

lyrics and music of the plaintiff's *Oh, Pretty Woman* by Roy Orbison and William Dees.[79] Without disputing the underlying facts, the defendants requested summary judgment that their song was a parody that constituted fair use.[80] As such, the court evaluated the level of similarity between the two songs in comparison with how much copying was necessary to conjure up the original work.[81] Like the substantial similarity test, the fair use test also considered both quantitative and qualitative significance of the shared elements, but the ultimate question of how much was too much was a question of law.[82]

The plaintiff only complained that the first verse of the defendant's song was substantially similar to the plaintiff's song lyrics.[83] However, the defendants also used the same guitar refrain, opening drum beat, melody, and chorus.[84] The court considered both the lyrics and music, and found that the defendant had not copied more substantially than necessary to preserve fair use.[85] The court's standard appeared to be "virtually complete or verbatim copying" despite stating earlier that the quantitative amount of copying was not alone dispositive.[86] The Sixth Circuit reversed this holding and found "that taking the heart of the original and making it the heart of a new work" was too qualitatively substantial to warrant fair use.[87] But the Supreme Court of the United States reversed the Sixth Circuit and held that copying the heart of an original work was not dispositive of the substantiality question of fair use.[88] Instead, the Supreme Court stated that it was significant that the defendant's lyrics "departed markedly from the Orbison lyrics" after the first line.[89] It was important to the court that the copied lyrics were a small portion of the defendant's work (as opposed to focusing solely on the importance of the copied portion to the plaintiff's work).[90]

With so little in common with the plaintiff's work other than the first line, it seemed like there could have been an argument against substantial

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79 754 F. Supp. 1150, 1152 (M.D. Tenn. 1991), *rev'd*, 972 F.2d 1429 (6th Cir. 1992) (holding that the song qualitatively took too much to constitute fair use), *rev'd*, 510 U.S. 569 (1994) (reversing the Court of Appeals on whether taking "the heart" of a work was always too much to be considered fair use).

80 *Id.*

81 *Id.* at 1157.

82 *Id.*

83 *Id.* at 1152.

84 *Id.* at 1156.

85 *Id.* at 1157.

86 *Id.*

87 Acuff-Rose Music, Inc. v. Campbell, 972 F.2d at 1438.

88 Campbell v. Acuff-Rose Music, Inc., 510 U.S. at 588.

89 *Id.* at 589.

90 *Id.*

similarity in the context of infringement. However, the defendants effectively conceded substantial similarity in arguing only for fair use. My computer program returned a similarity score of only 24%. Recall, in *Henley v. DeVore*, the scores were 49% and 59%. That court specifically contrasted the high levels of similarity found there with that of *Acuff-Rose Music, Inc. v. Campbell* when it concluded that those songs were too similar for fair use.[91] Unfortunately, I cannot conclude that the defendants here could have won the substantial similarity issue directly if they had contested it because the Sixth Circuit and Supreme Court seemed to agree that the defendants took the heart of the plaintiff's song. But my similarity score would not find substantial similarity from the mere use of the same opening line (especially if the combination of music and lyrics was critical to the decision). However, it is still informative that my similarity score correctly predicted the outcome of the fair use substantial similarity determination.

2. *False Negative 2: Trial – Substantially Similar*

In *Kahn v. Leo Feist, Inc.*, the plaintiff alleged copyright infringement for the defendant's almost verbatim usage of the lyrics from the first two stanzas of the plaintiff's song.[92] The court held that the works were substantially similar on this basis alone.[93] While these two four-line stanzas were almost identical, my similarity score returned only 21% because the stanzas represented two of six that comprised the plaintiff's work, the two copied stanzas were shorter than the other four (which were five lines instead of four), and one of the lines in the first copied stanza was entirely different in the defendant's version. The court stated that the stanzas were the chorus of the plaintiff's song but did not indicate that the chorus was ever repeated (in the plaintiff's song).[94] Thus, the court must have found that copying the chorus was qualitatively substantial regardless of the quantitative portion of the plaintiff's work represented.[95]

3. *False Negative 3 – Preliminary Injunction Granted*

In *Boosey v. Empire Music Co.*, the plaintiff alleged copyright infringement of both lyrics and music because of the defendant's usage of the title line "I hear you calling me."[96] It was the one and only line that the two songs shared (in addition to the shared titles), and it represented

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91 Henley v. DeVore, 733 F. Supp. 2d 1144, 1161 (C.D. Cal. 2010).
92 165 F.2d 188, 189 (2d Cir. 1947).
93 *Id.* at 192.
94 *Id.* at 189.
95 The court made no mention of a fragmented literal similarity justification.
96 224 F. 646, 646 (S.D.N.Y. 1915).

two of the twelve lines in the plaintiff's song.[97] The judge even admitted that the two works were "considerably different, both in theme and execution, except as to this phrase," which the judge then determined was enough all by itself to find substantial similarity by the audience (ordinary observer) test and to grant the preliminary injunction.[98] My computer program returned a similarity score of only 20%, but some of the difference may be explained by the fact that the determination was based on the combination of lyrics and music. However, it was also possible that the judge ascribed qualitative importance to the fact that the shared element was the first line in both songs. Although not expressly mentioned as a factor for qualitative similarity, it is interesting to note that every one of the false negative cases focused on similarities that occurred as first words, lines, or stanzas.

4. False Negative 4: Trial – Substantially Similar

In *Nom Music, Inc. v. Kaslin*, the plaintiff accused the defendant, who composed the lyrics and music to the plaintiff's song, of reusing some of those lyrics and music in a different song later released by the defendant.[99] The court specifically identified five points of lyrical similarity: (1) the plaintiff's song contained "Daddy's coming home" three times and the defendant's song contained "Daddy's home" four times, (2) both songs begin with the word "You're," (3) the bridge of both songs begin with the word "It," (4) the plaintiff's "It may be on a Sunday morning, it may be on Tuesday afternoon" contained the "same thought" as the defendant's "It wasn't on a Sunday, Monday and Tuesday went by. It wasn't on a Tuesday afternoon," and (5) that "both songs end on a hopeful note" with the plaintiff's "Oh, my darling, dry your eyes, Daddy's coming home soon" and the defendant's "You had teardrops in your eyes — Daddy's home, Daddy's home to stay."[100]

Although it is possible that the words "You're" and "It" were truly original as used in songs in 1964, it is much more likely that these individual words should have been ignored as "frontin'" was in *Currin v. Arista Records, Inc.* The fact that they each were found at the beginning of a sentence also seems an unlikely lyrical revelation, even in 1964. "Daddy's home" may present a less obvious determination of (un)originality, but these three similarities did not meaningfully contribute to why my similarity score indicated a lack of substantial similarity between the songs with a

97 *Id.* at 647.

98 *Id.*

99 227 F. Supp. 922, 924 (S.D.N.Y. 1964).

100 *Id.* at 926-27.

score of 29%.[101] The fundamental difference was the court's determination that the literally different sentences about what day a person may return home and not to cry because that day will come soon were the same expressions because they "contain[ed] the same thought."[102] The court began with the same process as in *Currin v. Arista Records, Inc.* when it looked past the literal words to consider the contextual meaning. But instead of holding that the same words may constitute different expressions, this court dealt with the reverse situation and held that different literal words represented the same expression. This may or may not be a direct contradiction of the ideas versus expression dichotomy, but it is difficult to imagine that a modern court would hold that any mention of specific days in the week in the context of what day a person might come home would infringe on this plaintiff's copyrighted lyrics. In fact, when presented with a similar question in *Hobbs v. John*, which was discussed previously, the court found that different ways to describe the same idea were different expressions.

In summary, the major rationale that my similarity metric failed to consider was the qualitative importance of first words, phrases, lines, or stanzas. Every one of the false negative cases focused on shared opening lines or words that appeared at the beginning of lines. It may be logical that beginnings are the most memorable portions of songs and should be treated as such when evaluating substantial similarity. While it would be an easy modification to my similarity score to ascribe increased weighting to these elements, I did not make such a modification because I had no additional case data on which to validate a "trained model." It would also be an easy modification to expand the list of ignored words and phrases to include those held by the courts as uncopyrightable, but I did not make that modification for the same reason.

It may also be relevant that three of the four false negatives appeared in pre-1970's New York courts. As noted earlier, the Second Circuit contained the only cases where my scores for substantially similar and not substantially similar decisions overlapped. Three of the four false negatives also included the combination of lyrics and music, while my score considered only lyrics. Finally, my similarity metric always considered different literal words to be different expressions. Fortunately, in view of *Hobbs v. John* and *Currin v. Arista Records Inc.*, modern courts seem more likely to hold in line with my metric's assumption rather than follow the opposite rationale as in *Nom Music, Inc. v. Kaslin.*

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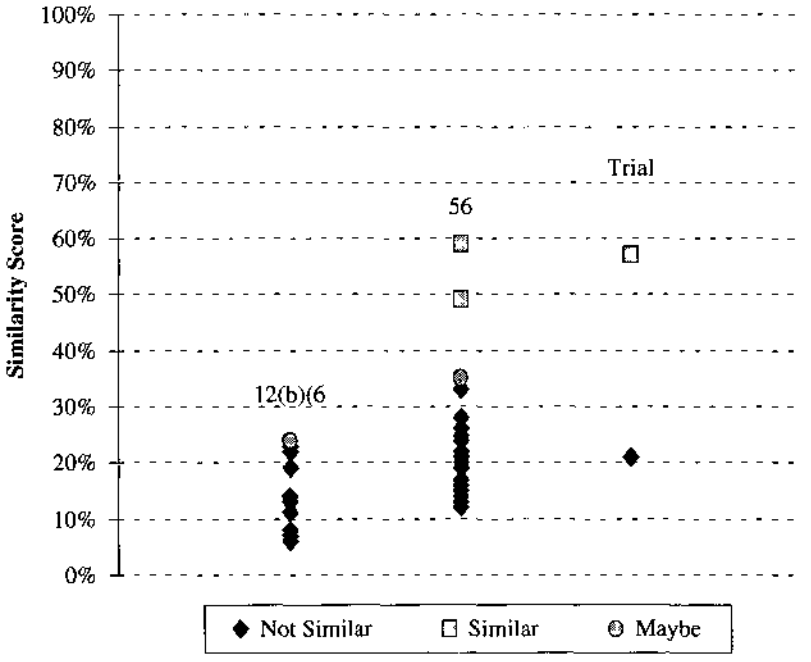
[101] Recall that my similarity algorithm actually does count the common usage of single words.

[102] *See Nom Music, Inc.*, 227 F. Supp. at 927.

D. A Few Extra Points in the Middle

It is interesting to look at two cases that survived a Rule 12(b)(6) motion to dismiss and a Rule 56 motion for summary judgment, respectively. While neither of these cases produced a final judgment on substantial similarity, their similarity scores are consistent with the courts' outcome. In *Bowen v. Paisley*, the court denied the defendant's motion to dismiss that the lyrics between the two works were so dissimilar as a matter of law.[103] The court held that the individual shared words "remind me" and "baby" were not protectable, but the combination of the phrase "remind me" followed by "baby, remind me" might be.[104] This pair of songs had a similarity score of 24%. As shown in Figure 6, this is just above the highest similarity score for which a motion to dismiss has been granted since 2000.

Figure 6: Judgments since 2000 have been consistent and predictable, including cases where the courts only denied Rule 12(b)(6) and Rule 56 motions (plotted as "Maybe").



[103] No. 3:13-cv-0414, 2013 WL 6237469, at *8 (M.D. Tenn. Dec. 3, 2013).
[104] *Id.*

Also shown in Figure 6 is *Allen v. Destiny's Child*, where the court denied the defendant's motion for summary judgment.[105] The court examined all of the phrases that were similar between the two works, found that they addressed the same themes, and declined to find as a matter of law that the lyrics were unprotectable as commonplace.[106] The court held that it was best left to the jury to decide whether the ordinary observer would find the two lyrics substantially similar.[107] This pair of songs had a similarity score of 35%. As shown in Figure 6, this is just above the highest similarity score for which a motion for summary judgment has been granted since 2000.

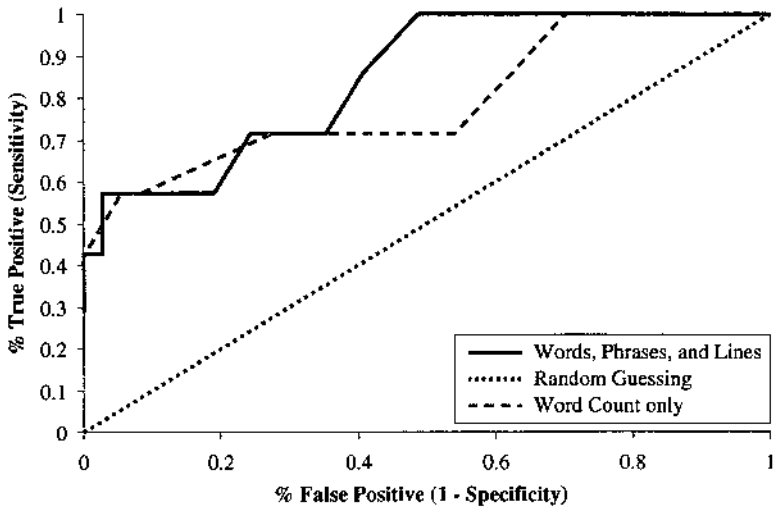
E. Model Validation

The receiver-operating characteristic (ROC) test indicated that my similarity metric produced an AUC of 0.85, which represented a "good test."[108] The curve is shown in Figure 7. ROC calculated that a threshold score of 28% produced the optimal maximization of true positives combined with minimization of false positives. Recall, that earlier in the Discussion section, I noted a transition at the 33% score, using only my own visual grouping, which produced no false positives. The ROC optimization in this case was willing to accept a false positive in order to convert a false negative to a true positive because there were fewer positives than negatives overall. This was an artifact of percentages and would not change the raw number of judgments that would be accurately predicted. Thus, either threshold would be an appropriate choice against which to measure subsequent cases.

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105 No. 06 C 6606, 2009 WL 2178676, at *11 (N.D. Ill. July 21, 2009).
106 *Id.* at *10.
107 *Id.* at *11.
108 Kaiser Permanente Center for Health Research, *supra* note 29.

Figure 7: ROC curves for my similarity metric that used words, phrases, and lines as compared to using just words and the standard random guessing benchmark (AUC = 0.5).



It was mentioned earlier in the Discussion that courts have held that word counts alone would not be determinative of substantial similarity. However, it can be seen from Figure 7 that a method considering only word counts would still be a decent predictor of court outcomes. The AUC was 0.79 and a "fair test."[109] My method remains the better test, not only by ROC analysis but also by being more consistent with copyright law.

IV. LAWYER SURVEYS

Given the consistency of decisions, I asked practicing music copyright lawyers if there were any objective rules of thumb or metrics that they used to evaluate cases. They uniformly replied that they did not. Instead, the lawyers indicated that, after they isolated the copyrightable expressions, they basically used "gut feeling" to evaluate substantial similarity of those expressions between the two songs. However, the lawyers agreed that most individual people's threshold of substantial similarity fell within a fairly consistent range. This potentially implies that everyone performs the same basic analysis in their "gut" (perhaps, subconsciously). Based on my results here, I hypothesize that the gut analysis is basically a comparison of memorable words, phrases, and lines.

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109 *Id.*

With a somewhat common understanding of what similar means, it was interesting that the cases where my metric returned a relatively high or low similarity score were even litigated at all. The lack of settling in cases with relatively high scores may be explained by the defendant's reliance on other defenses, such as independent creation or fair use. However, the persistence of cases with relatively low scores was more difficult to explain. But according to my surveys with music copyright lawyers who have represented both plaintiffs and defendants, settlement behavior was driven more by the potential damage award than the strength of the case. Thus, plaintiffs sometimes continued to pursue defendants with deep pockets, even when the songs were quite dissimilar. It did not appear to be the case that the two sides earnestly came to different conclusions about levels of substantial similarity.

V. CONCLUSIONS

The number of musical lyrics copyright cases has grown rapidly over recent decades. Despite using different methods for determining substantial similarity by the ordinary observer standard, court decisions across the country have nevertheless grown consistent and predictable over time. But there currently exist no objective metrics that take advantage of this consistency to evaluate the strength of or predict the outcomes of cases. Lawyers, experts, judges, and juries still mostly rely on "gut feeling" when evaluating the similarity of copyrightable lyrics. However, since most people's gut feeling seemed to produce the same answer, it may have actually been that everyone was performing the same (potentially subconscious) analysis in their "gut." I proposed here that the analysis was a simple comparison of the number of overlapping words, phrases, and lines. The results of my similarity metric confirmed that this approach accurately predicted outcomes over 90% of the time, regardless of which legal test the court technically used.

Based on court opinions, this type of simple language pattern analysis was the primary explanation for the determination of substantial similarity. The only additional characteristic not considered by my similarity metric was the enhanced importance of first words, phrases, and lines. It is logical that the ordinary observer would ascribe more weight to the beginnings of songs or verses, and this seemed to be what occurred in the four false negatives that my method failed to properly predict. Future work may include modifying my algorithm to account for the enhanced importance of beginnings. It was interesting that even considering word counts alone had fair predictive value, although courts have held that such a method would not be the appropriate way to determine substantial similarity. My method of considering words, phrases, and lines, as well as their

order, was more in line with copyright law and produced a superior quality test.

While we might not be able to say comfortably that a computer can supplant the need for copyright litigation (yet), we might be getting close at least in the area of lyrical similarity. At a minimum, court decisions across the country under various legal standards have been consistent and reproducible enough that a would-be plaintiff or defendant could get a very good estimate of the outcome of a copyright infringement action involving musical lyrics by performing the objective analysis here. Given that lyrical similarity is increasingly the basis of copyright infringement actions, objective metrics may help dispose of a large number of cases in the future.

Of course, substantial similarity is not alone dispositive of a copyright infringement claim. A plaintiff must also prove copying and overcome defenses. Thus, a logical next step would be to extend this analysis to examine what levels of similarity constitute "striking similarity" sufficient to infer access and what levels are considered de minimis. Fair use also contains a similarity judgment that would be another area for future work. Finally, it would be most ideal to extend this methodology to other musical characteristics, such as melodies, harmonies, and timbre. While in theory the computer algorithms used here are robust enough to analyze musical characteristics, there are non-trivial aspects of digital encoding that need to be carefully controlled in order to properly compare recordings of two works. Additionally, it may be quite difficult to identify the commonplace, non-copyrightable musical elements that should be excluded from analysis. On the other hand, like lyrics, it is possible court decisions about musical elements may not be so nuanced either, allowing our similarity algorithms to be quite accurate even without the ideal levels of precision.

APPENDIX

Table 1: The number of music copyright cases returned by Westlaw search for "copyright song lyrics similarity."

Decade	# cases
1940-1949	9
1950-1959	9
1960-1969	5
1970-1979	7
1980-1989	18
1990-1999	30
2000-2009	66
2010-present	34[1]
Total	178

[1] A straight line extrapolation would project an additional 51 cases from 2014-2019.

Table 2: Common articles excluded from individual word analysis.

and	or	from
to	in	out
on	the	a
an	of	is
am	are	was
has	have	oh
ah	eh	

Table 3: List of cases, details, and similarity scores.

Sim. Score	Subs. Sim.	Order	Test	Case	Court	Year
6%	No	12(b)(6) dismiss	Ordinary Observer	Lyles v. Capital-EMI Music, Inc.	S.D. Oh.	2013
8%	No	12(b)(6) dismiss	Ordinary Observer	Lyles v. Capital-EMI Music, Inc.	S.D. Oh.	2013
11%	No	12(b)(6) dismiss	Ordinary Observer	Lyles v. Capital-EMI Music, Inc.	S.D. Oh.	2013
7%	No	12(b)(6) dismiss	Ordinary Observer	Lyles v. Capital-EMI Music, Inc.	S.D. Oh.	2013
28%	No	56 Summary Judgment	Extrinsic/Intrinsic	Coble v. Renfroe	W.D. Wash.	2012
23%	No	12(b)(6) dismiss	Ordinary Observer	Hobbs v. John	N.D. Illinois	2012
19%	No	12(b)(6) dismiss	Ordinary Observer	Gottwald v. Jones	S.D.N.Y.	2011
23%	No	12(b)(6) dismiss	Ordinary Observer	Peters v. West	N.D. Illinois	2011
13%	No	12(b)(6) dismiss	Ordinary Observer	Pyatt v. Raymond	S.D.N.Y.	2011
14%	No	12(b)(6) dismiss	Ordinary Observer	Pyatt v. Raymond	S.D.N.Y.	2011
17%	No	56 Summary Judgment	Ordinary Observer	Currin v. Arista Records	D. Conn.	2010
28%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
12%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
17%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
24%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
15%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
17%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
22%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
24%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
20%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010

Sim. Score	Subs. Sim.	Order	Test	Case	Court	Year
16%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
13%	No	56 Summary Judgment	Ordinary Observer	Prunte v. Universal Music Group	D.D.C.	2010
14%	No	56 Summary Judgment	Ordinary Observer	Brainard v. Vassar	M.D. Tenn.	2009
22%	No	12(b)(6) dismiss	Extrinsic/Intrinsic	Staggs v. West	D. Md.	2009
15%	No	56 Summary Judgment	Ordinary Observer	Johnson v. Foxx	E.D. Mich.	2007
26%	No	56 Summary Judgment	Ordinary Observer	Armour v. Knowles	S.D. Tx.	2006
21%	No	56 Summary Judgment	Ordinary Observer	Jones v. Blige	E.D. Mich.	2006
25%	No	56 Summary Judgment	Extrinsic/Intrinsic	Lil' Joe Wein Music v. Jackson	S.D. Fla.	2006
19%	No	56 Summary Judgment	Ordinary Observer	Boone v. Jackson	S.D.N.Y.	2005
21%	No	Jury Trial	Extrinsic/Intrinsic	Positive Black Talk Inc. v. Cash Money Records	E.D. La.	2003
33%	No	56 Summary Judgment	Ordinary Observer	Jean v. Bug Music	S.D.N.Y.	2002
15%	No	56 Summary Judgment	Extrinsic/Intrinsic	Swirsky v. Carey	C.D. Ca.	2002
17%	No	56 Summary Judgment	Extrinsic/Intrinsic	Toliver v. Sony Entertainment	D. Alaska	2001
11%	No	56 Summary Judgment	**	Black v. Gosdin	M.D. Tenn.	1990
28%	No	Bench Trial?	Ordinary Observer	Strachborneo v. Arc Music	S.D.N.Y.	1973
8%	No	56 Summary Judgment	**	Irving Berlin, Inc. v. E.C. Publications, Inc.	S.D.N.Y.	1963
25%	No	Bench Trial?	Ordinary Observer	Gingg v. Twentieth Century Fox Film Corp.	S.D. Cal.	1944
49%	Yes	56 Summary Judgment (No Fair Use)	**	Henley v. DeVore	C.D. Ca.	2010
59%	Yes	56 Summary Judgment (No Fair Use)	**	Henley v. DeVore	C.D. Ca.	2010
57%	Yes	Jury Trial	Extrinsic/Intrinsic	Three Boys Music v. Bolton	C.D. Ca.	1996
24%	Yes	56 Summary Judgment (Yes Fair Use)	**	Campbell v. Acuff-Rose Music, Inc.	M.D. Tenn.	1991

Sim. Score	Subs. Sim.	Order	Test	Case	Court	Year
29%	Yes	Bench Trial	**	Nom Music, Inc. v. Kaslin	S.D.N.Y.	1964
21%	Yes	Bench Trial	**	Kahn v. Leo Feist, Inc. 165 F.2d 188	S.D.N.Y.	1947
20%	Yes	Preliminary Injunction Granted	**	Boosey v. Empire Music	S.D.N.Y.	1915

** The court did not expressly note which test it used.

RULES FOR DENYING COPYRIGHT PERMANENT INJUNCTIONS IN CHINA: FOG NEEDS TO BE CLEARED

by GUANGLIANG ZHANG*

ABSTRACT

In China, permanent injunctions are not an as-matter-of-fact relief in copyright infringement cases. The current rules for denying copyright permanent injunctions embodied in the judicial policy of the Supreme Court and local decisions are rather ambiguous, and this article suggests that clear and uniform rules for denying a copyright permanent injunction be codified in the third amendment to the Copyright Law. The granting of a permanent injunction should not be automatic, but rather should be petitioned for by the copyright holder. Furthermore, under any of the following circumstances, a permanent injunction should be denied for the reasons set forth, while other remedies for the right holder, such as adequate damages should not be affected: (1) granting a permanent injunction would violate the principle of proportionality and cause undue hardship or heavy losses to the defendant; (2) granting a permanent injunction would be contrary to such public interests as health, safety or livelihood, or to the interests of unspecific third parties; (3) granting a permanent injunction would be contrary to the principles of fairness, honesty and credibility in situations where right holders have taken a laissez-faire approach towards infringement or have unduly delayed in enforcing their rights; and (4) in cases where only the right to remuneration of the copyright holder is infringed upon, while the defendant promises to, and the court orders the latter to, pay the prescribed remuneration.

INTRODUCTION

In recent years, courts across China have probably accepted more copyright cases than in any other jurisdiction.[1] Notwithstanding the fact

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[1] For example, the total number of copyright cases accepted by the local courts across China from 2011 to 2013 is 35,185, 53,848 and 51,351 respectively; *see Intellectual Property Protection by Chinese Courts in 2011*, SUPREME PEOPLE'S COURT OF THE PEOPLE'S REPUBLIC OF CHINA (2012), http://www.court.gov.cn/zscq/bhcg/201304/t20130407_183080.html; *Intellectual Property Protection by Chinese Courts in 2012*, SUPREME PEOPLE'S COURT OF THE PEOPLE'S REPUBLIC OF CHINA (2013), http://www.court.gov.cn/zscq/bhcg/

that there are no national statistics on the causes of action among all cases, it has been evident that the majority are copyright infringement actions.[2] In copyright infringement cases, the court will usually order the defendant to cease the infringement. Cessation of infringement, as one of the main methods of bearing civil liability for infringement under Chinese law,[3] is not a remedy for injuries already inflicted on right holders, but rather is intended to prevent future infringement, and is therefore equivalent to a permanent injunction under the common law.[4] To facilitate the discussion of the issue in this article, the author will use the term "permanent injunction" to refer to the civil liability of cessation of infringement under Chinese law.

From international perspectives, the criteria for granting permanent injunctions in the area of intellectual property vary among major jurisdictions. For instance, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs Agreement) calls for equity considerations in granting injunctions.[5] The EU Directive (Council Directive 2004/48/EC) Enforcement of Intellectual Property Rights[6] also empowers the courts to exercise discretion in issuing injunctions, as evident by the use of conditional language.[7] The U.S. Copyright Act provides that courts "may" grant

201304/t20130426_183662.html; *Intellectual Property Protection by Chinese Courts in 2013*, SUPREME PEOPLE'S COURT OF THE PEOPLE'S REPUBLIC OF CHINA (2014), http://www.court.gov.cn/zscq/bhcg/201404/t20140425_195314.html

2 For example, according to the statistics of the Beijing High Court, the number of copyright cases of first instance decided by the Beijing courts from 2011 to 2013 was 20,108, and it is estimated that over 80% of the caseloads were copyright infringement.

3 *See* General Principles of the Civil Law of the PRC art. 134 (providing that the main methods of bearing civil liability shall be: (1) cessation of infringements; (2) removal of obstacles . . ..). *See also* Tort Law of the PRC art. 15 (which has similar provisions).

4 *See* GUANGLIANG ZHANG, CIVIL REMEDIES FOR INTELLECTUAL PROPERTY INFRINGEMENT 101 (2003). There are some Chinese scholars who opine that cessation of infringement is different from permanent injunction. *See, e.g.*, Ling Zhang, *The Civil Liability of Cessation of Infringement: What Does It Mean and How Will It Be Improved in Patent Infringement Actions*, 4 JURIST 106, 107 (2011).

5 1869 U.N.T.S. 299; 33 I.L.M. 1197 (1994) [hereinafter TRIPs Agreement]. As for injunctions, Article 44.1 of the TRIPs Agreement uses such language as: "the judicial authorities shall have the authority to order a party to desist from an infringement . . . , which does not require that the judicial authorities must issue an injunction."

6 2004 O.J. (L 195) 32-36.

7 EU Directive art. 11 ("Member states shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement.").

injunctive relief "on such terms as it may deem reasonable to prevent or restrain infringement of a copyright,"[8] which indicates that an injunction for copyright infringement is an equitable remedy,[9] and the granting of an injunction involves the exercise of the court's discretion.[10] Certainly not all countries recognize the discretionary nature of this relief, which enables a court to refuse an injunction once the infringement has been established and there is reason to believe that the defendant will continue with the infringement.[11]

It seems that the denial of permanent injunctions goes against the idea of fairness and justice to the general public where there is a finding of infringement, and payment of damages without an injunction might in fact compel a right holder to part with its rights, as copyright is an exclusive right, i.e., generally it is the owner of the copyright who enjoys the right to forbid others from exploiting the work without her authorization.[12] Therefore, the denial of permanent injunctions in intellectual property infringement cases should be limited to exceptional or special circumstances. The circumstances under which the court should deny copyright injunctions have been extensively discussed since the *eBay* decision of the United States.[13]

In China, copyright permanent injunctions will usually be granted except under special circumstances. Nevertheless, what constitutes such special circumstances and the rules for denying permanent injunctions are still hazy. As the Copyright Law of China is undergoing the process of its third amendment,[14] this author proposes that a clear and uniform criteria for

8 17 U.S.C. § 502(a) (2012).

9 An equitable remedy usually refers to "a nonmonetary one such as an injunction or specific performance, obtained when available legal remedies, usually money damages, cannot adequately redress the injury." BLACK'S LAW DICTIONARY 642 (Bryan A. Garner ed., 4th pocket ed. 2011).

10 For instance, in UK, the granting of injunction will not happen as a matter of course as it is a discretionary remedy. *See* Coflexip SA v. Stolt Comtex Seaway MS, Ltd., [2000] EWCA Civ 242 (Eng.).

11 *See* LOUIS THEODOR CHRISTIAN HARMS, ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS: A CASE BOOK 459 (2d ed. 2008) (WIPO Publication No. 791E).

12 *See id.* at 461.

13 *See* eBay, Inc. v. MercExchange, LLC, 547 U.S. 388 (2006). The implications of the eBay decision go beyond patent cases, as the court also observed that the rule in patent cases should be extended in copyright action as well. For the discussion of this topic, see generally Jiarui Liu, *Copyright Injunctions After* Ebay*: An Empirical Study,* 16 LEWIS & CLARK L. REV. 215 (2012).

14 This law was adopted at the fifteenth Meeting of the Standing Committee of the Seventh National People's Congress on September 7, 1990; amended for the first time according to the Decision on Amending the Copyright Law at the twenty-fourth Meeting of the Standing Committee of the Ninth National People's Congress on October 27, 2001; and amended for the second

copyright permanent injunctions should be codified in the Copyright Law to clear away the fog.

Compared with those of developed countries, the copyright system of China has a relatively short history, and some of its provisions have been transplanted from intellectual property conventions or laws of other jurisdictions. Nevertheless, the copyright permanent injunction is an issue perplexing quite a few jurisdictions, and therefore discussing the problems confronting China and solutions therefor might provide some benefit to other jurisdictions. There are three parts in this article: Part I discusses the general legal provisions and ambiguous rules under Chinese law on permanent injunctions and denial thereof in copyright infringement cases; Part II probes copyright decisions denying permanent injunctions and discusses the factors considered by the courts; Part III makes suggestions on the rules for denying permanent injunctions, which should be codified in the Copyright Law of China. In conclusion, I think that as a civil law jurisdiction, a permanent injunction should be granted in copyright cases where the infringement has been established and where the infringement is ongoing, or would possibly reoccur even though it has stopped. However there are some exceptions to this general rule, i.e., permanent injunction should be denied in the following situations: where public interests or the interests of any unspecific third party would be affected; where the principle of proportionality would be violated, particularly in cases of innocent infringement by the defendant; or where the principles of fairness, honesty and credibility would be contravened, as where the defendant has relied upon the acts of the plaintiff who takes a laissez-faire approach towards infringement and had unduly delays in enforcing its rights.

I. THE GENERAL PROVISIONS ON AND AMBIGUOUS RULES FOR COPYRIGHT PERMANENT INJUNCTIONS IN CHINA

A. The General Provisions on Copyright Permanent Injunctions Under Chinese Law

As a private right,[15] copyright is recognized as a civil right under the General Principles of the Civil Law of the PRC.[16] Accordingly, copyright infringers should bear civil liabilities in accordance with Article 134 of such law, which provides that the main methods of bearing civil liability

time according to the Decision on Amending the Copyright Law at the thirteenth Meeting of the Standing Committee of the Eleventh National People's Congress on February 26, 2010.

[15] *See* TRIPs Agreement pmbl. ("Recognizing that intellectual property rights are private rights . . .").

[16] *See* General Principles of the Civil Law of the PRC, sec. III, ch. 5 [hereinafter referred to as General Principles of the Civil Law].

shall be a permanent injunction,[17] removal of obstacles, and elimination of dangers, among others. As for the methods of assuming civil liabilities, there are identical provisions under the Tort Law.[18]

Civil liabilities for copyright infringement are provided under Articles 47 and 48 of the Copyright Law as well. For instance, Article 47 of the law stipulates that: "anyone who commits any of the following acts of infringement shall, depending on the circumstances, bear civil liabilities such as a permanent injunction, eliminating the bad effects of the act, making an apology or paying compensation for damages," among others. Notwithstanding this provision, permanent injunctions in copyright cases should not be granted as a matter of course,[19] as the wording of this provision evidences that such relief will be granted "depending on the circumstances," thereby giving the court discretion to grant or deny permanent injunctions even where infringements have been established.

The question that arises therefore is *under what circumstances will a permanent injunction be granted or denied?* Unfortunately there is no answer to that question under the law.[20] It seems that few have concerned themselves with that question since the adoption and implementation of the Copyright Law, as for copyright holders, infringers, or even most judges, granting a permanent injunction should be as a matter of course once infringement has been established.[21]

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17 As mentioned earlier, "cessation of infringements" is equivalent to a "permanent injunction." These two terms are used synonymously in this article.

18 Tort Law of the PRC art. 15.

19 Permanent injunctions were generally granted upon finding infringement. *See* According *The Intellectual Property Protection by Chinese Courts in 2009*, SUPREME PEOPLE'S COURT OF THE PEOPLE'S REPUBLIC OF CHINA (2010), http://www.court.gov.cn/zscq/bhcg/201004/t20100426_4545.html.

20 In China, computer software can by protected by the Copyright Law, and there is a Regulation on the Protection of the Computer Software, which provides the following exception to the granting of a permanent injunction:

> A holder of copies of a piece of software that neither knows nor has reasonable grounds to know that such copies are infringing ones does not bear liability of compensation but shall cease the use of, and destroy, the infringing copies. Nevertheless, if the cease of use or the destruction of such copies is likely to cause heavy losses to him, the holder of such copies may, after paying reasonable remuneration to the software copyright owner, continue to use such copies.

However, this is not a provision of the law, but that of a mere regulation.

21 Even though there had been a few cases in which the courts denied permanent injunctions where infringement has been established, such decisions have not drawn much attention. These cases will be studied in the succeeding parts of this article.

B. Ambiguous Rules for Copyright Permanent Injunctions

Even though there are no clear rules under the law with respect to the granting or denial of permanent injunctions in copyright cases, Chinese courts tend to grant permanent injunctions provided the following two preconditions are met. The first is where the copyright holder has asked the court to grant the permanent injunction. A permanent injunction, as a kind of civil relief, will not be granted automatically by the court if the plaintiff has not requested it. In *Yongge Guo v. Beijing Culture and Arts Publishing House*,[22] the court, finding that the TV series *Prime Minister Hunchback Liu* had infringed upon the plaintiff's copyright in the novel *The Collection of Sir Liu,* did not grant a permanent injunction on the theory that the plaintiff had not demanded that the court do so.[23]

A second precondition is where the court has decided that the infringement is ongoing, or there is a likelihood of recurrence even though it had stopped.[24] As a permanent injunction is targeted against future infringement by the defendant, the court may deny a permanent injunction where evidence shows that the infringement has terminated and that defendant will not continue with the infringement.

The above-mentioned preconditions for granting permanent injunctions are less contentious in China. At issue are the circumstances under which the court may deny a permanent injunction upon the finding of infringement, and the rules therefor. The discussion of this issue has been stirred up by a patent decision made by the Supreme Court (unless otherwise specified the term "Supreme Court" in this article refers to the Supreme Court of China).[25] In *China Environmental Project Technology, Inc. ("CEPT") v. Fujikasui Engineering Co., Ltd. ("Fujikasui") and Huayang Co., Ltd. ("Huayang")*, CEPT was the holder of a Chinese patent covering a "Natural Sea Water (NSW) FGD" technology, which was used by Huayang, a power plant, without authorization.[26] The court of first instance, while finding infringement, nevertheless denied a permanent injunction on the ground that if Huayang were enjoined from using the patented process, it would produce an adverse impact on the local econ-

[22] *See* Case No. (1996) IPR 19 (Beijing First Interm. Ct.).

[23] Some Chinese scholars thought that a permanent injunction would be automatically granted by the court upon having established infringement; but such was a misunderstanding. *See* YANG LI & QING XU, LIMITATIONS ON THE CLAIM FOR CESSATION OF INFRINGEMENT 4 (2013), (Series on Intellectual Property Policies (Volume 2012)).

[24] *See* ZHANG, *supra* note 4, at 102.

[25] It is interesting to note that it is also a patent case, the *eBay* decision, in the United States that have drew the attention of both scholars and practitioners to the permanent injunction issues in patent as well as copyright case, *see generally* Liu, *supra* note 13.

[26] Case No. (2001) Civ IP 4 (Fujian Province High Peoples Ct.)

omy and livelihoods. The demand of CEPT for a permanent injunction was therefore rejected in order to balance the interests of the right owner and the general public; nevertheless the court held that Huayang should pay CEPT a royalty from the time it began using the latter's patent until the expiration of such patent.[27] The Supreme Court affirmed this ruling of the court of first instance.[28]

The *CEPT* decision is the first decision of the Supreme Court in which it considered the public interest as a factor in determining whether or not a permanent injunction should be granted. Prior to the *CEPT* decision, there were a few patent decisions made by the local courts in which permanent injunctions were denied for reasons such as impracticability of enforcing the permanent injunction,[29] or grave injury to the "social benefit."[30]

Based upon its *CEPT* decision and certain decisions of the lower courts, the judicial policy released by the Supreme Court in 2009 touched the issues of permanent injunctions in intellectual property cases, providing that: "the remedial role of permanent injunction should be brought into full play in order to deter infringement"; "Permanent injunction may be denied under specific circumstances if the granting thereof would cause imbalance between the major interests of the parties, or be contrary to public interest, or be practically unenforceable and alternative measures such as adequate damages should be adopted"; and that "if the right holder takes a laissez-faire approach towards infringement and delays in enforcing its rights, and granting the permanent injunction would cause imbalance of interests between the parties, the court may prudently deny

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[27] *Id.*

[28] *See* Case No. (2008) Civ. IP 8 (Sup. People's Ct.).

[29] *See, e.g.*, Fischerwerke Artur Fischer GmbH & Co. KG v. Qifeng Co., Case No. (2007) IP 12 (Shanghai High People's Ct.) (the plaintiff is the holder of a patent on "Fastener"). The products of the defendant were found infringing by the court, but all the infringing products had been used and integrated into the walls of a building. As a permanent injunction meant that infringing products should be removed from the wall, the court held that it was impractical to enjoin the defendant from infringement.

[30] *See, e.g.*, KGE Co. v. Shenzhen Airport Co., Case No. (2004) IP 587 (Shenzhen Interm. People's Ct.). Here, the plaintiff was the holder of patent on a "Glass Curtain Wall Connecting Device," and the infringing products had been used in the glass curtain wall of the terminal building of the defendant. The court held that granting a permanent injunction entailed the tearing down the finished building, which would inflict grave injury to the social benefit, and the plaintiff would not gain any additional benefit. The court, therefore, refused to grant a permanent injunction.

the request for permanent injunction, which should not affect the reasonable compensation to the right holders by law."[31]

Denying permanent injunctions upon finding infringement is actually the result of a balancing of interests, and therefore appropriate criteria should be applied. In particular, the right holder should be adequately compensated where a permanent injunction is denied.[32] Under such circumstances, denial of a permanent injunction is equivalent to a compulsory license, and thus inadequate damages would weaken the bargaining position and ability of the right holder, while encouraging infringement as well.[33]

The judicial policy on permanent injunction actually sets rules for the lower courts to follow when considering permanent injunction issues. These rules can be summarized as follows:

(a) As a general rule, a permanent injunction should be granted in intellectual property cases, in order to deter infringement;

(b) As exceptions to the general rule, under one of the following circumstances, a permanent injunction may be denied, while other remedies for the right holder such as adequate damages should not be affected:

(1) Granting a permanent injunction would cause imbalance between the major interests of the parties;

(2) Granting a permanent injunction would be contrary to the public interest;

(3) A permanent injunction would be practically unenforceable;

(4) Due to the inaction of the right holder who has taken a laissez-faire approach towards infringement and delays in enforcing its rights, the granting of a permanent injunction would cause an imbalance of interests between the right holder and the infringer.

As noted above, some of those rules for the denial permanent injunctions stem from the decisions of the courts. For example, Rule (2), i.e., "granting a permanent injunction would be contrary to public interest," originates from the *CEPT* decision[34] and *KGE* decision, [35] while Rules (1)

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[31] *See* Opinions of the Supreme Court on the Adjudication of Intellectual Property Cases to Serve the Economic Development, Doc. No. (2009) 23, ¶ 15.

[32] *See* XIANGJUN KONG, NEW PERSPECTIVES IN INTELLECTUAL PROPERTY PROTECTION-FRONTIERS OF INTELLECTUAL PROPERTY ADJUDICATION 116 (2013).

[33] *See id.* at 116-17. In decisions made by the courts of China denying permanent injunctions the issue of adequate compensation is discussed and ruled on without exception. Moreover because it is a complicated issue, which needs a separate article to discuss, this article will not focus on it.

[34] *See* China Envtl. Project Tech., Inc. v. Fujikasui Eng'g Co., Ltd., Case No. (2008) Civ. IP 8 (Sup. People's Ct.).

and (3) stem from the *Qifeng* decision.[36] However, no decision can be found that serves as the origin of Rule (4).[37]

The above rules are applicable to copyright infringements as well. These rules are rather ambiguous, as the meanings of such terms as "major interests," "public interest," "practical unenforceability," "taking *laissez-faire* approach," and "delay" have not been not defined. Recently copyright circles in China have discussed this issue and this author proposed that uniform and clear rules for denying a copyright permanent injunction should be made and codified in the amended Copyright Law.[38] Article 72 of the draft amendment, an added article to the Copyright Law, provides that those infringing upon copyright and related rights should bear such civil liabilities as a permanent injunction *by law*,[39] which means that a permanent injunction will not be automatically granted. However the draft amendment to the Copyright Law[40] is still silent on the circumstances under which permanent injunctions may be denied.

II. PROBING COPYRIGHT DECISIONS DENYING PERMANENT INJUNCTION AND STUDYING FACTORS CONSIDERED BY THE COURTS

There are few copyright decisions denying permanent injunctions; some decisions were made before, while others after, the release of the Judicial Policy. This section probes these decisions, studying the factors considered by the courts in denying permanent injunctions, in order to clarify the current rules and to suggest improvement thereto.

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35 *See* Fischerwerke Artur Fischer GmbH & Co. KG v. Qifeng Co., Case No. (2007) IP 12 (Shanghai High People's Ct.).

36 *See supra* KGE Co. v. Shenzhen Airport Co., Case No. (2004) IP 587 (Shenzhen Interm. People's Ct.

37 It seems that the Supreme Court transplanted this rule from laches under the common law, which this article will discuss in Part III.

38 *See* Symposium on Copyright Authorization & Transaction Rules (July 6, 2014), (co-sponsored by the Intellectual Property Judicial Protection Research Base of the Supreme Court (Southwest University of Political Science & Law), National Digital Copyright Research Base (Peking University), et al.).

39 For the text of the draft amendment to the Copyright Law, published by the Legislative Office of the State Council in June, 2014, for comments and suggestion, see *Legislative Affairs Office of the State Council Announced the "People's Republic of China Copyright Law (Draft Revised Draft)" for Public Comment Notice*, LEGISLATIVE AFFAIRS OFFICE OF THE STATE COUNCIL P.R CHINA, http://www.chinalaw.gov.cn/article/cazjgg/201406/20140600396188.shtml (last visited Jan. 22, 2015).

40 Referring to the draft amendment to the Copyright Law. *See id.*

A. Certain Types of Infringement

Generally the types of infringement, or the infringing activities of the defendant, are irrelevant to permanent injunction issues. There are exceptions, however. In *China Musical Copyright Society v. Beijing Tengtu Co.*,[41] the defendant exploited the musical works managed by the plaintiff without paying remunerations, and produced and distributed a sound recording titled *Classic MP3 Songs*. The court held that the defendant had infringed upon the right to remuneration, and should pay damages to the plaintiff. The court however denied a permanent injunction on theory that under Article 37 of the Copyright Law,[42] the defendant, as a producer of a sound recording, may exploit a published work created by another for the production of a sound recording without authorization, as long as it shall, as prescribed by regulations, pay remuneration to the copyright owner. In this case, as the defendant did not pay remuneration to the plaintiff, it had therefore infringed upon the right to remuneration of the latter. The defendant could nevertheless continue to distribute the sound recordings after the prescribed remuneration was paid to the plaintiff, and therefore the demand for a permanent injunction was rejected by the court.[43] In this case the reason that the defendant's action constituted infringement was *not* because it had not sought authorization from the plaintiff for the production of the sound recording, but rather because it had not paid the prescribed remuneration,[44] for as a producer of sound recording it was entitled to a statutory license[45] under the Copyright Law of that time.

In a copyright case relating to the statutory license like this, the court should deny a permanent injunction provided that the defendant promises that she will pay the prescribed remuneration to the plaintiff. Whether the

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41 Case No. (2001) IP 244 (Beijing 1st Interm, People's Ct.).

42 Article 37 of the Copyright Law of China (1990) provides "a producer of sound recordings who, for the production of a sound recording, exploits a published work created by another, does not need permission from, but shall, as prescribed by regulations, pay remuneration to, the copyright owner; such work shall not be exploited where the copyright owner has declared that such exploitation is not permitted." In this case, the musical works of the plaintiff were published, and the copyright owner had not declared that such exploitation would not permitted.

43 Case No. (2001) IP 244 (Beijing 1st Interm. People's Ct.).

44 The injury suffered by the plaintiff was the remuneration the defendant should have paid.

45 Statutory license, sometimes referred to as a "legal license," is an "authorization given by law to use a work protected by copyright in a specific manner and under certain conditions, against payment of an author's fee." The Berne convention for the Protection of Literary and Artistic Works (1971) allows national legislations to introduce statutory license. *See* WORLD INTELL. PROP. ORG,, GLOSSARY OF TERMS OF THE LAW OF COPYRIGHT AND NEIGHBORING RIGHTS 243 (2007).

defendant is willing to pay the remuneration is a factor to be considered by the court for a permanent injunction, as in cases relating to the statutory license the loss of the plaintiff is the prescribed remuneration, upon the payment of which the plaintiff should not be entitled to enjoin the exploitation of its works. Therefore, certain types of infringement such as infringement upon the right to remuneration should be a factor considered by the courts in determining whether to grant permanent injunctions.[46]

B. State of Mind of the Defendants

Under the Copyright Law, the state of mind of defendants, i.e., whether they are with or without subjective fault, is irrelevant to the determination of infringement.[47] Should the state of mind be a factor considered by the court when denying a permanent injunction? In *Ning Yong v. China Film Co-Production Corporation, et al.*,[48] the plaintiff was the composer of a musical work, *Camel Bells on Silk Road*, which was used as background music (two minutes and eighteen seconds in length) in the film *Crouching Tiger, Hidden Dragon*. Prior to the shooting of the movie, the defendants tried without success to reach the plaintiff for authorization through various methods. For example, the defendant contacted the China Musical Copyright Society, of which Ning Yong was not a member at that time. The producer also went to the China Phonogram Shanghai Company for the right to use the phonogram in which the musical work of the plaintiff had been recorded, and signed an authorization agreement to use the phonogram in the film. The producer reached the performer of the music who was acquainted with Ning Yong and promised to transfer the remuneration ($200) to him. The court found that the defendants infringed upon the copyright of the plaintiff, but did not prohibit the commercial show performance of the film nor the distribution of the VCDs of the film. Rather it ordered that the plaintiff should be credited as the composer of the background music in the republication of the film. In this case, the defendants tried to get the license from the copyright holder to use the music in the film, and paid remuneration to the phonogram producer and to the performer of the music. They thought they had already paid the remuneration to the composer via the performer of the music. Due to the legal complications of the musical work license under the Copyright Law, the evidence of the case shows that the defendants had not committed the infringement willfully or maliciously, and therefore the court was correct in denying a permanent injunction.

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[46] Neither any other decisions nor scholarly works have discussed the relationship between a statutory license and the denial of permanent injunction; hence it is an overlooked issue.

[47] *See* PRC Copyright Law arts. 47, 48.

[48] Case No. (2006) IP 244 (Guangdong High People's Ct.).

However another local court had a different view on the relationship between the state of mind of defendants and the denial of a permanent injunction. In *Xiao v. Beijing Zhu's United Press Co.*,[49] the plaintiffs were the copyright holders of a literary masterpiece, *Fires in Reed Marshes*, while the defendants were the producers of a TV serial, *Sha Jia Bang*, which is an adaptation of the work of the plaintiff. Prior to the shooting of the TV serial, the producers held several negotiations with the plaintiff, seeking authorization for adaptation; nevertheless the latter firmly refused. Even without the permission from the plaintiff, the defendant began to shoot and finished the TV serials, which were shown on dozens of TV stations across China. The plaintiffs filed a lawsuit against the defendants, and the two parties finally settled the case.

In a comment written by a judge of the adjudication panel for this case, the judge opined that the court might have refused to grant a permanent injunction if the case had not been settled, on grounds, inter alia, that it took a lot of money to shoot the TV serial, which had been well received by the audiences.[50] This view seems problematic. In this case the defendants, who failed to reach a licensing agreement with the right holders, began to shoot the TV series, and by disregarding the copyright of the plaintiffs, were considered willful or malicious infringers. The court must exercise caution in deciding to deny a permanent injunction in circumstances where defendants are willful or malicious infringers, as otherwise it would encourage further cases of infringement.

The Chinese legislative organs, including the Legislative Office under the State Council, have included the state of mind of the defendants as a critical factor to be considered by the competent authority in determining whether or not to grant a permanent injunction in copyright cases relating to computer software. Article 30 of the Regulation on the Protection of Computer Software provides that:

> [A] holder of a software [program] that neither knows nor has reasonable grounds to know that such copy is infringing does not assume compensatory liability, but shall desist from its use and should delete/destroy the infringing copy. Nevertheless, if the cessation of the use or the deletion/destruction of the infringing copy is likely to cause great damage to such holder, it may, after paying reasonable remuneration to the software copyright owner, continue to use such copy.

Under the aforementioned provision, one of the conditions before the holder of an infringing copy of software is not enjoined from further using the same is that such holder is an "innocent infringer," i.e., the holder is not a willful or malicious infringer. Nevertheless no similar provision ex-

[49] Case No. (2008) IP 168 (Shanghai 2d Interm. People's Ct.).

[50] For the comment written by the judge, see *id.*, *available at* http://www.shezfy.com/view.html?id=8178.

ists under the Copyright Law. In some jurisdictions, where the users of infringing copies are "innocent infringers," and the issuance of permanent injunctions will cause great damage to such users, the courts usually award compensatory damages to the copyright owner, instead of issuing permanent injunctions against the "innocent infringers."

For example, Article 101(1) of the German Law on Copyright and Neighboring Rights[51] is worthy reference for China. It provides that in the event of infringement of a right protected under the law, the claims of the injured party for injunctive relief, destruction or surrender of the copies or the devices are asserted against "a person whose acts of infringement were neither intentional nor negligent, such person may indemnify in money the injured party if execution of the claims would produce for him a serious and disproportionate injury and if the injured party may reasonably be required to accept redress in cash." This provision of the German Copyright Law providing exceptions to injunctive relief, destruction or surrender of the infringing copies, establishes a rather strict criteria for its application, with the state of mind of defendants being one of them.

C. The Principle of Proportionality

The seriousness of copyright infringement varies from case to case. In some, defendants pirate and distribute copyrighted works of plaintiffs, which are serious infringements, while in others, only a small portion of works of plaintiffs are plagiarized or copied by the defendants. Should the seriousness of the infringement be considered by the court in determining permanent injunction issues? The answer to this question involves the application of the principle of proportionality.[52]

In *Zhengdong Consultancy (Beijing) Co., Ltd. v. Donglun Media Co.*,[53] the plaintiff was the right holder of two musical recording works, *Sweet Honey* and *The Moon Represents My Heart*, while the defendants were the producers of the TV serial, *Starting Families and Establishing Career*. The defendants exploited parts of the two musical works (more than two minutes in length) without the authorization of the plaintiff, which the court found to have constituted an infringement. The court nevertheless did not grant a permanent injunction on the ground that those portions of the musical works exploited constituted only a tiny proportion of the whole TV serial, and therefore, enjoining the continuous distribution of the TV serial would result in a waste of resources. It also held that

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[51] For an English translation of this law, see WIPO, http://www.wipo.int/wipolex/en/details.jsp?id=1034 (last visited Jan. 22, 2015).

[52] The principle of proportionality in remedies for intellectual property means that the remedial measures must be proportional and not excessive in relation to the specific circumstances of the infringement.

[53] Case No. (2012) Civ. 12869 (Beijing Chaoyang Dist. People's Ct.).

the continuous distribution of the TV serials would not have a significant impact on the musical works of the plaintiff.

The decision of the court was in line with the principle of proportionality. Article 46 of the TRIPs Agreement provides that in considering "such requests" for orders that infringing goods be disposed of outside the channels of commerce or destroyed,[54] the competent authorities should take into account "the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties," which is the first provision of international intellectual property treaties establishing the principle of proportionality for remedies. As China is a member to that agreement, it should apply such principle. Article 3(2) of the European Union Intellectual Property Enforcement Directive stipulates that "the measure, procedures and remedies necessary to ensure the enforcement of the intellectual property rights shall also be . . . proportionate."[55] Under the principle of proportionality, Chinese courts should weigh the seriousness of the infringement with the remedies granted, inclusive of the permanent injunction. Under circumstances where only a small portion of the works of the defendant is infringing, as in the *Zhengdong* case, the court may deny a permanent injunction.[56]

D. Public Interest

The courts should always take into account the public interest in rendering any decision. In *Aoya Co. v. Greatwall Co.*,[57] the plaintiff was the copyright holder of a work *Brocade & Rosy Clouds Clothing*, while the defendant was an interior design company, which contracted with the builder and developer of a residential building to provide interior decoration. The wallpaper used by the defendant had infringed upon the plaintiff's copyright over the work, while the defendant asserted that it had merely purchased the wallpaper from the market. In this case, the plaintiff's demand for a permanent injunction was denied by the court on the theory that the builder of the residential building had already begun to sell

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[54] Because the meanings of the term "such requests" in the third sentence of Article 46 were ambiguous, World Trade Organization made a clarification by examining the records of the negotiation of the TRIPS Agreement. *See WTO ANALYTICAL INDEX: Agreement on Trade-Related Aspects of Intellectual Property Rights*, WIPO, http://www.wto.org/english/res_e/booksp_e/analytic_index_e/trips_03_e.htm#article42 (last visited Jan. 21, 2015).

[55] Enforcement of Intellectual Property Rights, 2004/48/EC, 2004 O.J. (L 157) 45 (EC).

[56] Under U.S. law, the plaintiff would not be entitled to such equitable relief as injunction if what the defendant had taken was relatively de minis. *See, e.g.*, Dun v. Lumbermen's Credit Ass'n, 209 U.S. 20, 23 (1908).

[57] Case No. (2013) Civ. 2d 290 (Guangdong Province Shenzhen Interm. People's Ct.).

the apartments, and the removal of the finished wallpaper would have a significant impact on the owners of these apartments, causing severe waste of resources and jeopardizing the public interest. Instead of granting a permanent injunction the court ordered the defendant to pay damages to the plaintiff.[58]

In patent infringement cases, there is a general consensus, both in China and other jurisdictions, that public health, safety and livelihood[59] are regarded as in the public interest, but nevertheless are rarely involved in copyright infringement cases. In the *Aoya* decision, the court held that the interests of the owners of the apartments in the residential building who were not parties to the litigation were in the nature of the public interest. I agree with the court. Apart from public health, safety and livelihood, the public interest also includes the interest of any third parties upon whom the court's decision will have a direct impact.

Sometimes the number of third parties may be hard to determine. For example, in *Wemade Entertainment Co. v. Shanda Co.*,[60] the plaintiff alleged that the defendants in its online game, *Legend of Mir II*, had copied the designs of characters and in-game tools like swords and armor, etc. of the plaintiff's, and therefore infringed upon the latter's copyright.

As *Legend of Mir II* has become a very popular game, it is likely that the interest of its gamers (numbering in the millions) would be severely affected if the court, found the defendant to be an infringer and granted a permanent injunction. The two parties eventually settled the case. Here, only the defendant knew the exact number of gamers who had to earn or even purchase their in-game tools. The interest of such gamers should be regarded as being in the nature of a public interest that the court must consider in handing such cases. I think that the court would not grant a permanent injunction even if it found that the defendant's acts constituted infringement.

In some other jurisdictions, the interest of third parties is also a factor considered by the court. For example, in *Finisar Corp. v. DirecTV Group, Inc.*,[61] a U.S. court held that granting a permanent injunction would not only produce undue hardship to DirectTV, but would also result in

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[58] *See* Jianjun Zhu, The Judgment Logic of Copyright at the Digital Age 290-21 (2014).

[59] In China, *see, e,g*, China Envtl. Project Tech., Inc. v. Fujikasui Eng'g Co., Ltd., Case No. (2008) Civ. IP 8 (Sup. People's Ct.); in the U.S., see, e.g. City of Milwaukee v. Activated Sluge, Inc., 69 F.2d 577 (7th Cir, 1934); Vitamin Technologists, Inc. v. Wisconsin Alumni Research Found, 146 F.2d 941 (9th Cir.1944).

[60] Case No. (2013) Civ 1st 11013 (Beijing 1st Interm. People's Ct.) (mediation decision).

[61] No. 1:05-CV-264, 2006 WL 2709206 (E.D. Tex. Sept. 1, 2006).

thousands losing their jobs, as well as affect 15,000,000 people, including those that could only watch Direct TV in remote areas.[62]

There are several copyright cases in which the court refused to grant a permanent injunction to avoid causing losses to social resources. For example, in the *Aoya* decision, the court held that the removal of wallpaper would result in a huge waste of resources.[63] Should avoidance of waste of resources be a matter of public interest? Certainly, the answer is "yes," as we are already in an era of limited resources. There are copyright laws in some jurisdictions that expressly provide that the destruction of infringing articles is not applicable to works of architecture,[64] and among the possible reasons for this is to avoid the waste of resources.

Nevertheless, which public interest should be given paramount importance — the public interest of preventing the waste of resources or the public interest in upholding the Copyright Law — should be a question for the courts to determine on case by case basis. This is also a question closely related to the principle of proportionality. If the infringement is not serious, say the infringing portions of a book only account for a considerably small portion thereof, it is likely that enjoining its distribution or the destruction of the entire book would result in a waste of resources, which may be regarded as a matter of public interest.[65] If otherwise, the infringing books should be enjoined from distribution, as the public interest in encouraging literary creation to improve the welfare of the public, one of major objectives of the copyright law, should be protected first.

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[62] *See also* Abend v. MCA, Inc., 863 F.2d 1465, 1479 (9th Cir. 1988), *aff'd on other grounds sub nom*, Steward v. Abend, 495 U.S. 207 (1990). (Here, the court denied a permanent injunction after finding of infringement, on the ground that withdrawal of the film *Rear Window* would cause public injury as well as injustice to the film's owners, and award of damages would vindicate plaintiff's interest).

[63] *See* Case No. (2013) Civ. 2d 290 (Guangdong Province Shenzhen Interm. People's Ct.). *See also* Chang Zheng v. Dangdang, Inc., Case No. (2012) Civ. 20196 (Chaoyang Dist. People's Ct.) (finding that the book published by the second defendant and distributed by the first defendant copied 6,243 words from the copyrighted book of the plaintiff). However the court did not enjoin the defendant from distributing the books, on the grounds that the infringement was only a small portion of the book of the defendant, and prohibited the defendants from distributing the book would cause a waste of social recourses).

[64] *See* Christopher Phelps & Assocs., LLC v. Galloway, 492 F.3d 532 (4th Cir. 2007).

[65] *See* eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) (Kennedy, J., concurring) (taking the view that where a patented invention is but a small component of the infringing product, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest). This author thinks that this view is applicable to copyright infringement as well.

E. The Acquiescence or Inaction of the Plaintiff Towards Infringement

Under the judicial policy of the Supreme Court of China, if an intellectual property holder takes a laissez-faire approach towards infringement and unduly delays in enforcing its rights, the court may deny a permanent injunction. However, neither has the court elaborated on the terms "laissez-faire approach" and "undue delay," nor are there any decisions on these matters. In some jurisdictions, such as the United States, laches is an equitable defense, through which a court may deny a permanent injunction.[66]

Under the laws of China, there is no such equitable defense as laches. Like the laws of the United States and many other jurisdictions, Chinese law provides for a statute of limitations on civil actions, which is applicable to copyright infringement actions. Infringement proceedings have a two-year prescriptive period for the filing of action,[67] commencing from the time when the entitled person knows or should know that its right has been infringed upon.[68] Where a right holder institutes proceedings after the expiration of said two-year period, and if the infringing act continues even upon the filing of the action, the court shall grant a permanent injunction within the term of the copyright; however, the amount of damages of the plaintiff shall be calculated from two years before the date of the institution of the court proceedings.[69] In other words, for continuous copyright infringement, the statute of limitations shall not be applicable, but the damages awarded to the copyright holder shall be limited.

In copyright infringement cases, if the copyright holder knows or should know of the occurrence of the infringement, but takes a laissez-faire approach towards it or unduly delays in filing a legal action, say, by initiating proceedings after the lapse of more than two years from the time it knows or should have known of the commission of the infringement, the court may refuse to grant a permanent injunction even if the infringement is still continuing and the statute of limitations has not yet expired, based upon the principles of fairness, honesty and credibility under the General

66 In the U.S., the equitable doctrine of laches can bar the infringement claim of a copyright owner. 17 U.S.C. § 501 (2012). *See also* Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962, 1966 (2014) (holding that laches cannot preclude a claim for legal relief brought within the statute of limitations, but may bar equitable relief in "extraordinary circumstances.").

67 General Principles of the Civil Law art. 135.

68 *See id.* art. 137.

69 *See* Interpretation by the Supreme People's Court on Several Issues Relating to the Application of Law to Trial of Cases of Civil Disputes over Copyright art. 28, adopted at the 1246th Meeting of the Adjudication Committee of the Supreme People's Court on 12 October 2002 and entering into force on 15 October 2002.

Principles of the Civil Law.[70] Fairness is a basic legal principle upon which civil rights, civil obligations and even civil liabilities should be determined.[71] Honesty and credibility, as a legal system founded on morals, requires that one should not benefit oneself at the expense of another whose interests should be respected, and the ambiguity of such criteria allows judges to exercise discretion in handling cases.[72] As a unique mechanism of the civil law system, the principle of honesty and credibility remediates the ills caused by pursuing judicial absolutism and denying judicial activism in civil law countries.[73]

The laissez-faire approach taken by the copyright holder or the undue delay in bringing an action may be interpreted by the defendant as indicating that the holder will not enforce its right,[74] and the defendant may make additional investments in an infringing business or expand the scale of its operation in reliance thereupon. Under such circumstances, the legal actions taken by the right holder, most especially seeking a permanent injunction against the defendant, would have such effects as a "copyright holdup."[75]

III. THE RULES FOR REFUSAL OF COPYRIGHT PERMANENT INJUNCTIONS: PROBLEMS AND SOLUTIONS

A. The Problems with the Rules for Denying Copyright Permanent Injunctions

Even though the judicial policy of the Supreme Court establishes ambiguous rules for refusal of copyright permanent injunctions, and the local courts at various levels have adjudicated cases pertaining to this issue based on their understanding of the rules and ideas of justice, several problems exist in this area.

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[70] *See* General Principles of the Civil Law art. 4.

[71] *See* SHIYUAN HAN, GENERAL INTRODUCTION TO CONTRACT LAW 39 (3d ed. 2011).

[72] *See* Guodong Xu, *Two Issues on Honesty and Credibility*, 4 CHINESE J.L. 74, 75 (1989).

[73] *See* Guodong Xu, *Concept& Historical Evolution of the Principle of Honesty and Credibility*, 4 CHINESE J.L. 53 (2002), 53.

[74] Sometimes it may constitute an implied license, which means that even though there is no express license from the right holder, its acquiescence or inaction makes the defendant believe that the former would not enforce its right against.

[75] One commentator points out that a copyright holdup may "arise in a limited number of cases that involve innocent infringement, substantial redesign costs, and small value of a copyrighted component relative to the overall product." *See* Liu, *supra* note 13, at 218.

1. These Rules Are Not Legally Binding

China operates under a civil law system, which means that the judges cannot make laws and are not bound by a doctrine of precedent.[76] The permanent injunction has significant impacts on both copyright holders and infringers. The denial of a permanent injunction is in essence the result of a balancing of interests, and therefore the criteria should be rather strict,[77] and courts across China should apply the same rules. However, there are no such rules under the General Principles of the Civil Law or the Copyright Law, nor has the Supreme Court ever made any judicial interpretation[78] on the same. All the rules discussed in Part II of this article are those embodied in the Judicial Policy and decisions of lower courts. The judicial policy is not in the nature of law, and court decisions are not legally binding. Absence of legally binding rules will make the predictability and the uniformity of court decisions practically impossible.

2. Some Rules for Denial of Permanent Injunction Are Ambiguous or Irrational

Under the Judicial policy, a permanent injunction may be denied if the granting thereof would cause an imbalance of interest between the plaintiff and the defendant, or where the permanent injunction is practically unenforceable. These rules are ambiguous, as the meaning of the phrases "imbalance of interests between the plaintiff and the defendant" and "practical unenforceability of a permanent injunction" have not been defined. In an infringement case, it will be very hard to balance the interests of the plaintiff and that of the defendant, as they are opponents. As a permanent injunction is meant to enjoin the defendant from performing certain acts, theoretically it can be enforced.[79] I think that the intended purpose of such rules is that a permanent injunction as a remedy should be proportionate to the seriousness of the infringement, and the hardship that will be suffered by the defendant and the gains that will be obtained by the plaintiff as a result of the permanent injunction should be balanced by the court. The denial of a permanent injunction under Article 30 of the Regulation on the Protection of Computer Software actually is based on the

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[76] *Black's Law Dictionary*, *supra* note 11, at 710 ("The doctrine of precedent, under which a court must follow earlier judicial decisions when the same points arise again in litigation.").

[77] *See* KONG, *supra* note 31, at 116.

[78] The Opinion of the Supreme Court mentioned in Part II of this article is not a judicial interpretation. In China, a "judicial interpretation" is a judicial document that has been deliberated and passed by the Adjudication Committee of the Supreme Court and is legally binding on all courts and administrative organs.

[79] Certainly the costs to enforce the permanent injunction are another question.

principle of proportionality, as the holder of infringing copies of software is an innocent infringer, which means that the infringement is not so serious, and the permanent injunction would result in the infringer incurring heavy losses or suffering an undue hardship, when all the while any damage or injury suffered by the copyright owner could be adequately remedied by such alternative means such as payment of a reasonable royalty. The denial of permanent injunctions in the film[80] or TV serial[81] related infringement cases mentioned in Part II of this article also pertain to the application of the principle of proportionality and balancing of hardships between the right holders and the defendants, as in such cases only a small fraction of the film or the TV serials are infringing, and enjoining the defendants from distributing such infringing works would cause undue hardships for them as the investments made in such productions are usually huge.

The protection of public interest has been a ground for denying a permanent injunction in China. The problem lies in how to properly define "public interest." Public health, safety and livelihood, as discussed in certain decisions in China and other jurisdictions, are uncontested public interests, which are seldom involved in copyright cases. I agree with the *Aoya* court with respect to the determination of public interest in copyright cases. The public interest is not the interests of the plaintiff, nor those of the defendants, but rather those of any third party upon whom the permanent injunction will have a direct or significant impact. The promotion or protection of the public interest, being among the underlying objectives of the intellectual property system, necessitates the organization and establishment of such a system.[82] Therefore, in cases denying a permanent injunction by reason of the public interest, the court should exercise caution when balancing the public interest as enunciated in the aforedescribed cases and scenarios with the public interest sought to be protected by the copyright system. Courts should also consider which one should be accorded paramount protection. This author thinks that at least in some decisions mentioned earlier, the waste of resources per se does not amount to a public interest deserving priority in protection.[83]

Some rules are irrational, such as the subjective fault of the defendant, which should be a key factor for the permanent injunction issues, but

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[80] *See* Ning Yong v. China Film Co-Prod. Corp., Case No. (2006) IP 244 (Guangdong High People's Ct.).

[81] *See* Zhengdong Consultancy (Beijing) Co., Ltd. v. Donglun Media Co., Case No. (2012) Civ. 12869 (Beijing Chaoyang Dist. People's Ct.).

[82] *See* CHEN LI, KEY WORDS OF INTELLECTUAL PROPERTY LAW 235 (2006).

[83] The principle of proportionality and the subjective fault of the infringer should also be considered.

is rarely considered by the courts.[84] Even in a case where the defendant was a willful or malicious infringer, the judge nonetheless held that a permanent injunction should be denied to protect the public interest. This raises the question: as both public interest and subjective faults are factors to be considered by the court in deciding a permanent injunction, which factor should prevail if the public interest factor gets the court to gravitate towards granting a permanent injunction, while it is the opposite for the subjective fault factor? I think that a permanent injunction should be refused only to protect such major and significant public interests as public health, security or livelihood, or the interest of unspecific third parties, otherwise it should be granted if the defendant is a willful or malicious infringer. Courts should be cautious about denying an injunction against willful infringers who have attempted to bypass market negotiation; otherwise, potential users knowing that the worst that could happen to an infringer is the same as the best that could happen to a licensee, "would have no incentive to seek prior authorization from copyright owners."[85]

3. *Some Rules Are Without Clear Legal Basis Under the General Principle of the Civil Law or the Copyright Law*

It is logical and reasonable for the courts to deny a permanent injunction on the ground that the plaintiff takes a laissez-faire approach towards infringement or undue delays in enforcing its rights. However, the problem is that there is not a clear legal basis under either the General Principle of the Civil Law or the Copyright Law. Even though theoretical reasoning from the application of the principles of fairness, honesty and credibility support this view, no courts have done so for possible reasons such as the failure of the defendants to raise such defenses.

4. *The Current Rules Are Incomplete*

In some cases local courts have made very sound decisions in denying a permanent injunction. For instance, in the *Tengtu* decision the court regarded the type of infringement as a factor when considering a permanent injunction, and denied it on the ground that the reason the defendant infringed upon the copyright of the plaintiff was that it had not paid the prescribed remuneration, and the defendant could continue to exploit the works of the plaintiff once it paid. The dictum of the court can be used as a rule for denying permanent injunctions in infringement cases relating to

[84] Article 30 of the Regulation on the Protection of Computer Software does not consider subjective fault as a prerequisite for denial of a permanent injunction.

[85] *See* Liu, *supra* note 13, at 280.

statutory licensing, where the defendant did not pay the prescribed remuneration to the plaintiff.

5. The Absence of Rules Requiring the Court to Explain the Reasons for Denying a Permanent Injunction

Last but not least is the issue that in certain cases the court simply did not give the reasons why it refused to grant a permanent injunction. If a court refuses to grant a permanent injunction, it should elaborate and explain the reasons. For example, in *Lian Shunxiang v. Li Chunli, Yangjun, et al,*[86] the plaintiff was the copyright holder of the novel *Secret,* while the defendants were the producers or distributors of the TV serial *Where is the Happiness.* The court found that the defendant infringed upon the copyright of the plaintiff, as the last words of the hero in the TV serial, consisting of seventy-eight words in length, plagiarized sixty-one words spoken by the hero the novel. It rendered a decision ordering the defendants to pay the plaintiff RMB 30,000 in damages, as well as to publish a public apology in the newspaper, but nonetheless refused to grant a permanent injunction without stating any reason for this ruling. Though there are several theories for the denial, such as the principle of proportionality, or for social resource considerations, among others,[87] the court should make it clear to the parties as well as to the general public the precise reason for its refusal to grant a permanent injunction.

B. Suggestions on Rules for Denying Copyright Permanent Injunctions

As had been discussed above, a permanent injunction should be generally granted in copyright infringement cases. Under certain circumstances, however, a permanent injunction may be refused. The judicial policies of the Supreme Court set rules, but such are rather ambiguous; meanwhile, lower courts across China have rendered certain decisions denying permanent injunctions in copyright cases. This field of law presents certain problems to both judges and litigants, the underlying cause of which is the lack of codified rules under the General Principles of the Civil Law or the Copyright Law. As one commentator has pointed out, only

[86] *See* Case No. (2008) IP 1st 16 (Shandong Province Qingdao Interm. People's Ct.) (Though the court said that the content plagiarized by the defendant was only a small fraction, it did not state that such was the reason for the refusal to grant a permanent injunction)

[87] I think that the court could even find the defendants were not infringing, as the quantity of the words plagiarized was de minimus, which is a doctrine under the Copyright Law of the United States. *See, e.g.*, Dun v. Lumbermen's Credit Ass'n, 209 U.S. 20, 23 (1908). That doctrine has also been applied in some decisions by Chinese courts. *See, e.g.*, Beijing Jiuge Tailai Co., v. West Changan Studio, Case No. (2002) Civ. 8534 (Beijing 1st Interm. Ct.).

with clear legal basis under the law should the court refuse to grant a permanent injunction; the legal basis therefor should be a matter considered by the legislature during the process of legislative amendment and should not be ruled on by the court in individual cases[88] for purposes of consistency and predictability. For example, as a civil law jurisdiction, Germany has set clear rules for denying a permanent injunction in its Copyright Law. As the Copyright Law of China is undergoing its third amendment, this provides a great opportunity for codifying therein such rules.[89]

A new section on rules for refusal of a copyright permanent injunction should be incorporated into the amendment of the Copyright Law. The granting of a permanent injunction should not be automatic and should be applied for by the copyright holder. Under one of the following circumstances, a permanent injunction may be denied, along with reasons for the denial, while other remedies for the right holder such as adequate damages should not be affected. The reasons for denying a permanent injunction should include: (1) granting a permanent injunction would violate the principle of proportionality and cause undue hardship or great damage to the defendant; (2) granting a permanent injunction would be contrary to the public interests in public health, safety or livelihood, or to the interests of unspecific third parties; (3) granting a permanent injunction would be contrary to the principles of fairness, honesty and credibility in situations where right holders have taken a laissez-faire approach towards infringement or have unduly delayed in enforcing their rights; and (4) cases where only the right to remuneration of the copyright holder is infringed upon and the defendant promises to abide by the court order to pay the prescribed remuneration.

CONCLUSION

A permanent injunction is not an automatically-available form of relief for copyright holders in China. Though it is a general rule that a permanent injunction should be granted upon finding infringement, it may be refused under special circumstances, which are nevertheless not provided under the Chinese law. The current rules for denying a permanent injunction embodied in the judicial policy and decisions made by local courts across China are not legally binding and are likewise ambiguous. Clear, unified rules should be codified in the Copyright Law in order to clear away the mists surrounding the permanent injunction in China and to promote consistency and predictability of court decisions in this area. The

[88] *See* XIAOQING FENG, CASE AND LEGAL PRINCIPLE STUDIES ON COPYRIGHT INFRINGEMENT 281 (2010).

[89] As mentioned above, codifying exceptions to a permanent injunctions have been a topic for seminars, but the specific rules have not been discussed in depth.

denial of copyright permanent injunctions is an issue not unique to China, which makes the discussion of the problem confronting China and the solutions thereto meaningful from an international perspective.

PART II

ADMINISTRATIVE DEVELOPMENTS

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LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Announce Final Determination of 1999 Cable Royalty Funds. 80 Fed. Reg. 13,423. The Copyright Royalty Judges are announcing the final determination regarding distribution of royalty funds deposited by cable system operators for the right to retransmit television programming carried on distant over-the-air broadcast signals during calendar year 1999. The funds at issue are those remaining within the Devotional Claimants category.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Board Announces Proceeding to Determine Distribution of 2013 Dart Royalty Funds. 80 Fed. Reg. 15,632. The Copyright Royalty Board is commencing a proceeding to determine the distribution of digital audio recording technology royalties in the Copyright Owners and Featured Recording Artists Subfunds of the 2013 Sound Recordings Fund. The board also announced its intention to conduct a paper proceeding in this matter. Parties needed to file petitions no later than April 23, 2015, with accompanying filing fees, if applicable. Those who wished to comment on the board's intention to conduct a paper proceeding had to do so by April 23.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Seek Comments on Proposed Rates and Terms for Digital Performance of Sound Recordings. 80 Fed. Reg. 15, 958. The Copyright Royalty Judges are publishing for comment proposed regulations governing the rates and terms for the digital performance of sound recordings and the making of ephemeral recordings by certain public radio stations under sections 112 and 114 of the Copyright Act for the period from January 1, 2016, through December 31, 2020. Comments were due no later than April 16, 2015.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Announce Withdrawal of Commencement of Proceeding to Determine Royalty Rates for Satellite Statutory License. 80 Fed. Reg. 22,563. Based on a reconsideration of congressional intent behind enactment of the STELA Reauthorization Act of 2014, the Copyright Royalty Judges are withdrawing the commencement of the proceeding announced on March 30, 2015 (80 Fed. Reg. 16,702), to determine royalty rates for the secondary transmission of broadcasts by satellite car-

riers and distributors. The judges have determined that the rates in effect on December 31, 2014, continue in effect, subject only to the annual royalty fee adjustment in section 119(c)(1)(e) of the Copyright Act. For details, go to http://www.loc.gov/crb/fedreg.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Royalty Judges Announce Cost-of-Living Adjustment in Royalty Rates for Satellite Statutory License. 80 Fed. Reg. 22,417. The Copyright Royalty Judges are announcing a cost-of-living adjustment of 1.7% in the royalty rates satellite carriers pay under the statutory license in section 119 of the Copyright Act. The rates take effect immediately and apply to the period from January 1, 2015, through December 31, 2015. For details, go to http://www.loc.gov/crb/fedreg.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

U.S. Copyright Office Posts Second Comments Received for Section 1201 Rulemaking; Reply Comment Deadline Was May 1, 2015. On December 12, 2014, the Copyright Office 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.

The Office has posted the second round of comments — from parties who oppose the adoption of a proposed exemption — on its website at http://copyright.gov/1201/2015/comments-032715. Written reply comments from supporters of a proposed exemption and parties that neither support nor oppose a proposed exemption were due on May 1, 2015.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

U.S. Copyright Office Announces Deputy Director for Registration Policy and Practice. The Register of Copyrights announced today the appointment of Erik Bertin to the position of Deputy Director for Registration Policy and Practice. He will serve as a member of the Copyright Office's senior management team and will have responsibility for a full range of legal, policy, and administrative issues. He reports to Robert J. Kasunic, Associate Register of Copyrights and Director of Registration Policy and Practice. This is a new position.

"Erik is an experienced attorney with an outstanding set of credentials," said Register of Copyrights Maria A. Pallante. "He will be a great asset to

the registration program, as we work to establish innovative policies and practices that are appropriate for the digital economy."

Bertin joined the Office in 2011 as an Attorney Advisor for the Office of Policy and International Affairs, and served as an Assistant General Counsel from 2013 to 2015. His duties have included a wide range of statutory and regulatory functions, including policy studies and rulemakings, drafting the *Compendium of U.S. Copyright Office Practices*, and chairing the Copyright Office Review Board. Before joining the Office, he worked in private practice for fifteen years in Washington, DC, where he represented clients in intellectual property matters. Bertin received a J.D. from the University of Pennsylvania School of Law and a degree in English from The Johns Hopkins University. Official photographs and biographies are available at http://copyright.gov/about/leadership.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

Copyright Office Issues a Notice of Inquiry on Photographs, Graphic Artworks, and Illustrations. The U.S. Copyright Office has published a Federal Register notice requesting written comments on how certain visual works, particularly photographs, graphic artworks, and illustrations, are monetized, enforced, and registered under the Copyright Act. The Office is specifically interested in the current marketplace for these visual works, as well as observations regarding the real or potential obstacles that these authors and, as applicable, their licensees or other representatives face when navigating the digital landscape.

Photographers, graphic artists, and illustrators have expressed a growing list of concerns in recent years when speaking to both the Copyright Office and Members of Congress. This Notice of Inquiry thus builds upon our longstanding policy interest in these types of visual works, including the Copyright Office's studies in a number of areas such as small claims, the making available right, resale royalties, registration, recordation, and the interoperability of records. As always, the Office is interested in the perspectives of copyright owners as well as users of these creative works. This is a general inquiry, which will likely lead to additional specific inquiries. The Notice of Inquiry is available at http://copyright.gov/policy/visual works. Written comments are due on or before July 23, 2015, and reply comments are due on or before August 24, 2015.

LIBRARY OF CONGRESS. COPYRIGHT OFFICE

U.S. Copyright Office Publishes Index of Fair Use Decisions in Support of U.S. Intellectual Property Enforcement Coordinator. Register of Copyrights Maria A. Pallante has announced the launch of the U.S. Copyright Office's Fair Use Index, which is designed to provide the public with

searchable summaries of major fair use decisions. The Index was undertaken in support of the 2013 Joint Strategic Plan on Intellectual Property Enforcement prepared by the U.S. Intellectual Property Enforcement Coordinator within the Executive Office of the President.

Although not a substitute for legal advice, the Index is searchable by court and subject matter and provides a helpful starting point for those wishing to better understand how the federal courts have applied the fair use doctrine to particular categories of works or types of use, for example, music, Internet/digitization, or parody.

"The doctrine of fair use has been an essential aspect of our copyright law for nearly 175 years," said Pallante, "but it has too often been a mystery to good-faith users who seek more detail about its application. It has been a pleasure coordinating this practical and important resource with the U.S. Intellectual Property Coordinator's office."

"The doctrine of fair use is a vital aspect of U.S. copyright law," said Danny Marti, the U.S. Intellectual Property Enforcement Coordinator at the White House, "and it is applied regularly in our daily life. I commend Register Pallante and the Copyright Office for producing this important resource — a resource that not only helps to make the doctrine more accessible, but also serves to re-emphasize the significance of this right as part of our culture. Indeed, it is the combination of a strong copyright system with a right of fair use that encourages creativity, promotes innovation and respects our freedom of speech and expression."

The goal of the Index is to make the principles and application of fair use more accessible and understandable to the public by presenting a searchable database of court opinions, including by category and type of use (e.g., music, Internet/digitization, parody). The Fair Use Index may be accessed on the Copyright Office's website at http://copyright.gov/fair-use/index.html or via the U.S. Intellectual Property Enforcement Coordinator's website at http://www.whitehouse.gov/omb/intellectualproperty.

PART III

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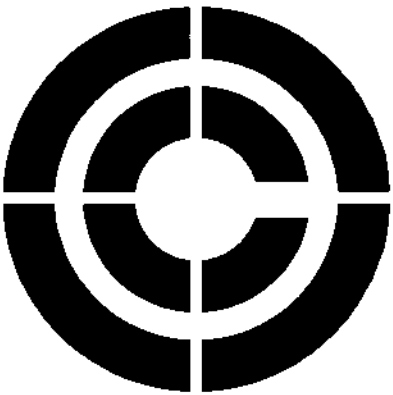
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FROM THE DESK OF THE CO-EDITORS-IN-CHIEF

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

Part I of volume 62, Issue 3, consists of the Forty-Fourth Annual Brace Lecture, *Copyright Damages: A View from the Bench*, which was presented by Judge Jed S. Rakoff of the Southern District of New York. In his lecture, Judge Rakoff advocates amending section 504 of the Copyright Act so that copyright holders would have to prove actual damages, and that when a jury finds willful infringement has been committed, the judge will have the discretion to impose a penalty that will not exceed amounts set by Congress. He maintains that these changes would transfer the task of: "determining what constitutes adequate punishment and deterrence from the jury, which has only modest expertise in determining punishment and almost none in determining deterrence, to the judge, who, in his work as a sentencer, deals with those determinations all the time."

Part II, Articles, begins with *Understanding (and Fixing) the Right of Fixation in Copyright Law* by Professor Justin Hughes of Loyola Law School, Los Angeles. In his article, Professor Hughes details current anti-bootlegging provisions, argues that "the constitutional analysis provided to date by courts and commentators has misunderstood the anti-bootleg provisions" and explains that "the focus should be on neither the Commerce Clause nor the Treaty Power, but on the Necessary and Proper Clause." Professor Hughes explains why a modest expansion of these provisions is needed to protect audiovisual artists, and discusses the content of the proposed new provisions, whose text he includes in the article. He concludes that: "it is time to extend the 'right of fixation' to dramatic performers, providing them with the same protection we have accorded musicians for twenty years."

The second article in Part II is *Content Review and Copyright Protection in China After the 2009* U.S. v. China *WTO Panel Ruling* by Weijun Zhang of the IP Institute of Tongji University and Yanbing Li, a research fellow at Singapore Management University. Their article begins by discussing the copyright policies of the United States, the UK, and Germany for illicit or immoral content. The authors then closely examine copyright policies toward such content in China as provided by Article 4 of the Chinese Copyright Law. They conclude that the revisions made to Article 4 after the WTO ruling: "bring[ ] neither many positive effects for copyright protection of offending works, nor does it weaken the strict content review system for publication and dissemination of literary and artistic works (in particular foreign literary and audiovisual works) in China."

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

BRACE LECTURE

COPYRIGHT DAMAGES: A VIEW FROM THE BENCH

by JED S. RAKOFF*

I feel privileged to have been invited to deliver the 44th annual Donald C. Brace Memorial Lecture. Donald Brace, along with Alfred Harcourt, founded the great publishing firm of Harcourt Brace and Company in 1919. From everything I have read, he was a not only an astute businessperson but also a courageous publisher — publishing, for example, some of the first works of W.E.B. DuBois. I am genuinely honored to have been asked to deliver a lecture bearing his name.

Although the title of my lecture is "Copyright Damages: A View from the Bench," my particular focus will be on statutory damages in copyright law, which, as you know, can range anywhere up to $30,000 for each infringed work and up to $150,000 for each infringed work if the infringement is willful. Although a fair amount has been written on this subject from the standpoint of those versed in copyright law, I want to suggest that the subject raises more general jurisprudential issues, and that consideration of those broader issues suggests that Congress should amend section 504 of the Copyright Act in ways that I have not seen previously proposed but that, throwing caution to the wind, I am shortly going to propose for your consideration.

The Constitution of the United States distinguishes between criminal prosecutions, which are the particular subject of the Fifth and Sixth Amendments; suits at common law (including copyright actions), which are the subject of the Seventh Amendment; and proceedings in equity, which are, in effect, everything else. But beginning in the nineteenth century and increasingly so in the twentieth, courts have looked to the purpose of a given statute in helping determine what Constitutional guarantees should apply, and this has, perhaps ironically, fostered uncertainty. For example, we were all taught in the first year of law school that the primary purpose of most private civil actions is to compensate a person who has suffered a wrong for the injuries that person has suffered, while the primary purposes of criminal prosecutions are to punish intentional wrongdoers and deter others from acting likewise. But, even putting aside the no-man's-land of regulatory rules, the exceptions to this basic purposive distinction between civil and criminal actions are almost too numerous to catalogue. For example, punitive damages in civil tort cases are, as

*United States District Judge, Southern District of New York. This article was presented as the Copyright Society of the U.S.A.'s Forty-Fourth Annual Donald C. Brace Memorial Lecture on November 3, 2014.

their very name indicates, intended to punish and deter; while, on the criminal side, a great many criminal statutes require a convicted defendant to make restitution to his victims.

Nor is there any single term or feature that clearly distinguishes civil from criminal. Even the possibility of prison time, which might be thought to be the sine qua non of criminal actions, does not prevent the government from prosecuting companies for criminal violations in proceedings that both the courts and the public plainly regard as criminal in nature. And while Congress traditionally uses the term "willful" as a synonym for mens rea, a host of recognizably civil statutes refer to "willfulness" as either an essential element of a civil violation or, as in the copyright law, as a basis for enhanced civil damages.

The difficulty of distinguishing between civil and criminal actions in terms of their purposes was vividly illustrated in the 1990s, when the Supreme Court, in a series of cases, attempted to determine when, if ever, civil fines and forfeitures could be so onerous and punitive, either in their intent or their effect, as to constitute Excessive Fines under the Eighth Amendment or Double Jeopardy under the Fifth Amendment. Eventually, the Court, in the 1996 case of *United States v. Ursery*, more or less gave up and said that the distinction between a civil and criminal statute, both in terms of purpose and in terms of effect, is largely a function of what Congress chooses to label it.

And yet this labeling can have huge consequences. Most obviously, a civil action varies greatly from a criminal action in terms of such things as the burden of proof, the extent of discovery, the collateral consequences, the canons of construction, and the application of due process.

Which brings us to statutory damages. Federal statutes providing damages that go well beyond compensation are at least as old as the antitrust laws, which provide mandatory trebling of actual damages, and Congress has always labeled such provisions as civil. And yet Congress itself often describes the purposes of such provisions as, at least in part, punishment and deterrence, purposes that are often characterized by courts as "quasi-criminal" in nature. Does this characterization carry any legal consequences, constitutional or otherwise, and if so, what are those consequences?

This is not just a matter of copyright law. Federal statutes providing enhanced damages for certain violations are to be found in federal patent laws, trademark laws, consumer protection laws, employment discrimination laws, environmental laws, tax laws, and even such relatively obscure laws as the statutes prohibiting cybersquatting (whatever that is) and odometer tampering. If we go further and also include statutes that provide mandatory multiplying of actual damages, we have the antitrust laws, the anti-racketeering laws, the anti-terrorism laws, the mortgage insurance

laws, and much else besides. The enhanced damages provisions of each and every one of these statutes can be said to serve, at least in part, punitive and deterrent functions. And yet, it must also be said that the extent to which, if any, such quasi-criminal purposes affect how these various provisions are construed is uncertain and inconsistent.

Which brings us — you may say, at last — to statutory damages in copyright law. In 1998, the Supreme Court in *Feltner v. Columbia Pictures Television, Inc.* held that the Seventh Amendment required that statutory copyright damages be decided by a jury, regardless of whether the damages were for willful infringement or not. The Court, interestingly, made no mention of the fact that lower courts had repeatedly held that section 284 of the Patent Act, which authorizes a judge to increase damages up to triple the actual damages where the infringement is willful, did not contravene the Seventh Amendment right to jury. To be sure, the situations are not identical. The statutory damages awarded by a jury in a copyright case are often an indistinguishable combination of compensatory and punitive damages, especially if the damages are below $30,000 per work. In patent law, by contrast, increased awards for willfulness are a multiplier of actual damages that have already been separately assessed. Thus, while *Feltner* holds that the Seventh Amendment requires a jury trial even where statutory damages serve a partially punitive purpose, this can arguably be distinguished from the situation presented by the patent laws where there can be no doubt that the statutory damages are purely punitive in purpose.

In this regard, it is noteworthy how the Court in *Feltner* chose to distinguish its own prior decision in *Tull v. United States*, decided, less than a decade earlier, in 1987. In *Tull*, the Court had held that, even though actions brought under the Clean Water Act were sufficiently analogous to common law suits as to require that a jury determine liability, nonetheless Congress could constitutionally authorize the judge, rather than the jury, to assess the amount of civil penalties that could be imposed once liability was found. The Court in *Feltner* distinguished Tull in two sentences, stating:

> In Tull, however, we were presented with no evidence that juries historically had determined the amount of civil penalties to be paid to the Government. Moreover, the awarding of civil penalties to the Government could be viewed [as] analogous to sentencing in a criminal proceeding.

I will come back to that analogy later. For now, it is sufficient to note that, as a practical matter, the Supreme Court, by placing the determination of statutory copyright damages in the hands of the jury, has increased the risk of damages awards grossly disproportionate to whatever the actual damages might have been. I say this, even though, like most judges, I am in most respects a great fan of the jury system and even though I have been known to impose some pretty hefty statutory penalties myself. But I

think there is a distinction to be made between the competence of a jury to determine liability and actual damages and their competence to determine what constitutes appropriate punishment and, especially, deterrence.

I or my law clerks talk to the jurors after every trial, and we are almost always impressed by how much they have relied on careful reasoning in reaching their determinations of liability and actual damages. This is a function, in my view, not only of the seriousness with which almost all jurors approach their tasks, but also of the requirement, still true in all federal cases, that the jury be unanimous. For even though a typical jury may include people of widely differing backgrounds and views, the only way they can reach unanimity is by exercising the one neutral form of argument that everyone will accept: logic and reason. So, even in those few cases where I have disagreed with a jury's verdict, I have almost never felt, after talking with them, that they had not employed the gift of reason in reaching their decisions.

But juries are not equally competent in all respects. If jurors are called upon to exercise reason, they are not normally called upon to exercise foresight. Their concern is with the case at hand, rather than its implications for other cases. In that sense, they are poorly equipped to assess in monetary terms such future-oriented considerations as deterrence. And so, inevitably, if the jury gets the sense that the defendant acted wrongfully in the specific situation before them, they will be tempted to award substantial statutory damages considerably disproportionate to what might be necessary for purposes of deterrence. In other words, while statutory damages for copyright violations may be intended to serve not only compensatory but also punitive and deterrent functions, the jury, in my view, focuses exclusively, and excessively, on the punitive function and rarely even considers either what the range of actual damages might have been or whether adequate deterrence could be achieved through a much more modest award.

The result is damages awards in copyright infringement cases that are sometimes significantly greater than any conceivable actual damages the plaintiff could have obtained if the plaintiff had elected actual damages, and that do not appear consistent with any principle of any kind. For example, in the case of *Capitol Records, Inc. v. Thomas-Rasset*, tried just a few years ago in the District of Minnesota, three separate juries, in assessing damages for infringement of twenty-four music recordings, awarded damages ranging from $222,000 to $1,920,000.

Such discrepancies have led a number of courts to consider whether substantive due process imposes limits on such awards, similar to the limitations imposed by the Supreme Court on punitive damages awards in the famous cases of *BMW of North America, Inc. v. Gore* (decided in 1996) and *State Farm Mutual Automobile Insurance Co. v. Campbell* (decided in

2003). Specifically, those cases held that courts reviewing a punitive damages award under the due process clause should consider three guideposts (namely, the degree of reprehensibility of the defendant's conduct, the disparity between the harm suffered by plaintiff and the punitive damages award, and the difference between the punitive damages award and civil penalties authorized in comparable cases). By contrast, the only Supreme Court case applying a due process standard to a statutory damages award — namely, the 1919 case of *St. Louis, Iron Mountain & Southern Railway Company v. Williams* — merely held that a statutory damage award violates the due process clause when it is "so severe and oppressive as to be wholly disproportioned to the offense and obviously unreasonable."

I suspect that the issue of whether the due process review enunciated in *Gore* and *Campbell* applies to statutory damages awards in copyright cases is the specific issue that the organizer of this lecture, Gloria Phares, had in mind when she first suggested to me tonight's topic of willful statutory damages in copyright cases. But I am not going to touch that issue with a ten-foot-pole, for the simple reason that judicial ethics requires me not to comment on a legal issue that is sufficiently current that it likely might come before me for decision in the near future, and due process review of statutory damages in copyright cases is such an issue. Suffice to say, however, that those lower federal courts that have decided or discussed this issue disagree as to whether *Gore* and *Campbell* should apply to a due process analysis in copyright statutory damages cases, as opposed to the standard set forth in *Williams*. And most commentators believe that the outcome, if the issue makes it to the Supreme Court, is far from certain.

The only other comment I think I can offer on this issue is that, judging from how *Gore* and *Campbell* have been applied by the lower courts to punitive damages awards, it is far from clear how much guidance even *Gore/Campbell* review actually provides in most cases.

But I am not precluded from proposing improvements in the law, and so I would like to propose amending section 504 of the Copyright Act in ways that, I suggest, would materially lessen the likelihood of extravagant statutory damages awards without undercutting the punitive and deterrent purposes such damages are intended to serve when, in particular, the copyright violation is willful, and that would, moreover, be a lot easier to apply than due process review under either the *Gore/Campbell* tri-part standard or the vague *Williams* test.

Specifically, my proposal is that Congress amend section 504 in the following ways:

First, section 504(c)(1) should be amended so that a copyright owner must attempt to prove actual damages, rather than having, as now, the option of electing actual or statutory damages. Actual damages would, as

at present, be defined to include the infringer's profits not otherwise duplicative of the plaintiff's losses, and, in addition, damages experts would be accorded considerable leeway in estimating damages.

When Congress first enacted the election option in 1909, it was in response to a widespread perception that actual damages were often difficult to prove in copyright infringement cases and that, in such circumstances, a plaintiff should be permitted to elect to have a judge impose what damages the judge thought were, as the statute states, "just." But *Feltner* transferred this authority to the jury, thereby helping create some of the problems already alluded to. Moreover, in the modern era, when damages experts are commonplace and are routinely able to estimate actual damages from limited data, and when the copyright owners themselves are frequently, not the original creators of the works, but large companies that have purchased the copyrights or for whom the creators worked at the time of creation, the difficulty of proving actual damages is less of a problem.[1]

To be sure, there will still be cases of large-scale copyright piracy, often abroad, where actual damages may be difficult to prove or even estimate; but these cases will almost always qualify for the wilfulness enhancement to which I will turn in a minute. As for the also-prevalent college-age filesharers who share numerous works with numerous friends, even in such cases careful technical decoding of the infringer's hard drive can uncover the extent of the infringement; and in any case, one wonders whether huge damage awards in such cases are really necessary if the infringement is not willful.

Under my proposed amendment of section 504(c)(1), if no actual damages were proved, but liability was established, nominal damages could still be awarded, so the plaintiff would not be nonsuited. Congress might also consider mandating that a plaintiff who shows infringement should recover attorneys' fees and costs, even if no actual damages were proved. In any event, such a plaintiff could seek injunctive relief. Where a copyright owner has not in fact been financially injured, or a copyright infringer economically enhanced, it seems perfectly appropriate that relief be limited to preventing the infringement from continuing — unless, of course, the infringement was willful, which brings me to my second proposed amendment.

Second, section 504(c)(2) should be amended to provide that, where a jury finds that the violation was willful, the judge should have discretion to

[1] In the audience discussion that followed the presentation of this speech, it was noted that a proposal has been made to create a kind of "small claims" court or procedure for the benefit of individual impecunious copyright owners whose works have been infringed. This seems to this writer to be a very sensible proposal.

impose a penalty, not to exceed an amount fixed by Congress, that is intended to both punish the defendant and to deter the defendant and others from similar infringing activity. A percentage of the fine so levied would be paid to the plaintiff (I would suggest maybe 15%) as an incentive to proving willfulness, and the rest would go to the United States Treasury.

I do not have much doubt that entrusting to the judge, rather than the jury the determination of this expressly labeled "penalty" would pass muster under the Seventh Amendment, as long as it was the jury that determined "willfulness." The analogy given in *Tull* to sentencing is even more apt here. For under Supreme Court cases like *Apprendi v. New Jersey* (decided in 2000), as long as the jury decides the facts that trigger the penalty, the judge has discretion to apply those facts to the determination of what penalty is appropriate. And I know of nothing in federal jurisprudence that would require alteration of this division of labor simply because a private plaintiff is given a bounty for proving willfulness.

The effect of these changes, among other things, would be to transfer the job of determining what constitutes adequate punishment and deterrence from the jury, which has only modest expertise in determining punishment and almost none in determining deterrence, to the judge, who, in his work as a sentencer, deals with those determinations all the time. To be sure, there would still be some disparities among judges as to how those determinations are made. But aside from appellate review, Congress could cabin those decisions by placing an overall cap on how large those penalties could be. Would Congress be interested in such amendments? I have no idea. But I do think that if organizations as prestigious as the Copyright Society were to support this proposal, it would have a meaningful chance of passage.

Thank you.

PART II

ARTICLES

UNDERSTANDING (AND FIXING) THE RIGHT OF FIXATION IN COPYRIGHT LAW

by JUSTIN HUGHES*

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INTRODUCTION

When the United States joined the World Trade Organization in 1994, it took on various intellectual property law obligations in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).[1] Among those obligations was a commitment to give musical performers certain control over "their unfixed performance[s],"[2] a commitment that Congress fulfilled by passing the federal Anti-Bootlegging Act in 1994.[3] The 1994 law established two new provisions — one civil, one criminal — protecting musicians against unauthorized recordings of their performances.

Although state laws had long offered such protection, the new federal law touched off criticism from commentators and activists concerned by yet another expansion of intellectual property laws.[4] Much of this criticism focused on the constitutionality of the laws, i.e., whether Congress has the power to give musicians, in essence, a "right of fixation." Criticism

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[1] *See* 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, 1197 (1994), 1869 U.N.T.S. 299 [hereinafter TRIPs].

[2] *Id.* art. 14(1) ("In respect of a fixation of their performance on a phonogram, performers shall have the possibility of preventing the following acts when undertaken without their authorization: the fixation of their unfixed performance and the reproduction of such fixation. Performers shall also have the possibility of preventing the following acts when undertaken without their authorization: the broadcasting by wireless means and the communication to the public of their live performance.").

[3] Codified at 17 U.S.C. § 1101 (civil liability) and 18 U.S.C. § 2319A (criminal liability). The United States might have well been able to fulfill these international obligations through robust state law; this Article takes no position on that question.

[4] *See, e.g.*, Symposium, United States v. Martignon – *Case in Controversy*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1223, 1246-55 (2006) (remarks of Marjorie Heins) [hereinafter Fordham *United States v. Martignon* Panel]; Dotan Oliar, *Resolving Conflicts Among Congress's Powers Regarding Statutes' Constitutionality: The Case of Anti-Bootlegging Statutes*, 30 COLUM. J.L. & ARTS 467 (2007); Jeanne C. Fromer, *The Intellectual Property Clause's External Limitations*, 61 DUKE L.J. 1329 (2012). But the criticism was not immediate. William Patry, who was the key copyright Hill staffer during implementation of the Uruguay Round states unequivocably that when a hearing was held, "[w]hile [academics] testified at length on perceived constitutional problems with § 104A [the copyright restoration provision], neither they nor anyone else expressed *any* problems with the bootleg provisions. . . . The record was held open after the hearing to receive written comments. There were none on the bootleg provisions." William Patry, *The Constitutionality of the Bootleg Statute*, THE PATRY COPYRIGHT BLOG (May 18, 2005), http://williampatry.blogspot.com/2005/05/constitutionality-of-bootleg-statute.html.

in law reviews was interwoven with litigation testing the constitutionality of the Anti-Bootlegging Act. When the smoke cleared, two federal district judges had found the law unconstitutional — but all the final dispositions of the question — in two Circuits and one district court — had upheld the constitutionality of the provisions.[5]

So, the issue appears to be settled: the anti-bootleg provisions are here to stay, the acrimonious debates about intellectual property have moved on to other topics, and analysis of these provisions no longer seems timely.

The problem is that the constitutional analysis provided to date by courts and commentators has misunderstood the anti-bootleg provisions. This article proposes a clearer, more sensible interpretation in which each provision — the civil and the criminal — is treated as having two distinct kinds of elements. First, there are the elements prohibiting the making of bootlegs or transmission of live musical performances. Second, there are those elements regulating the bootlegs that come into existence despite the initial prohibition. Contrary to what courts have said, the latter provisions *are* properly analyzed as "copyright" provisions; the former provisions are properly analyzed under other congressional powers. And among those other congressional powers, I propose that the focus should be on neither the Commerce Clause nor the Treaty Power, but on the Necessary and Proper Clause.

This exercise is to get the law right and the analysis does have a practical import. The United States' international obligation to offer protection to musicians against bootlegging exists now not only in the TRIPS Agreement, but also in the WIPO Performances and Phonograms Treaty (1996),[6] which the U.S. ratified in 1998. A parallel obligation in relation to

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[5] In the *KISS* litigation, Judge Rea found the anti-bootlegging civil statute unconstitutional, but Judge Fischer rehearing the case after Judge Rea's death reached the opposite conclusion. KISS Catalog, Ltd. v. Passport Int'l Prods., 405 F.Supp 2d 1169 (C.D. Cal. 2005). Judge Baer found the criminal statute unconstitutional in *United States v. Martignon*, 346 F.Supp. 2d 413 (S.D.N.Y. 2004), but was reversed by a unanimous panel, United States v. Martignon, 492 F.3d 140 (2d Cir. 2005). Judge Sharp found the criminal statute constitutional and was affirmed by a unanimous panel in *United States v. Moghadam*, 175 F.3d 1269 (11th Cir. 1999).

[6] WIPO Performances and Phonograms Treaty (WPPT), adopted Dec. 20, 1996, S. Treaty Doc. No. 105-17, 2186 U.N.T.S. 203 (entered into force May 20, 2002). Article 6 provides "Performers shall enjoy the exclusive right of authorizing, as regards their performances: (i) the broadcasting and communication to the public of their unfixed performances except where the performance is already a broadcast performance; and (ii) the fixation of their unfixed performances." Meanwhile, Article 7 of the WPPT says that: "Performers shall enjoy the exclusive right of authorizing the direct or indirect reproduction of their performances fixed in phonograms, in any man-

actors exists in the Beijing Treaty on Audiovisual Performances (2012), which the U.S. signed in June 2012.[7] Contrary to some criticisms, implementation of the Beijing Treaty would require only minimal changes in U.S. copyright law to protect dramatic performers. But front and center among the changes needed will be minor amendment of the anti-bootleg provisions. Armed with its new analysis, this article proposes simple ways to amend 17 U.S.C. §§ 1101 and Title 18 § 2319A to address legitimate concerns about the anti-bootleg protection while extending such protection to dramatic performers.

Part I of this Article describes the present anti-bootleg provisions and the Constitutional attacks they have faced. All of these arguments share the same two basic parts: [1] that the provisions were not a legitimate exercise of the power under the Copyright Clause,[8] and [2] that the specific grant of power in the Copyright Clause limits what Congress can do vis-à-vis the general power of the Commerce Clause. As to this second prong, the debate has boiled down to whether or not the anti-bootleg provisions fall within a sort of gravitational *dead zone* of what the Copyright Clause *forbids*, despite sitting in the much larger realm of what the Commerce Clause *permits*.[9] Part I will only summarize the extensive commentary and court discussion on these ideas.

Part II explains the modest extension of the anti-bootleg provision that is needed to protect audiovisual performers, recognizing that any amendment of the statute that appears to expand its coverage may touch off another round of controversy.

Part III anticipates that controversy by offering a new analysis in which each anti-bootlegging provision is viewed as having two parts:

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ner or form." For reasons I argue below, this different parsing of the rights between TRIPs and the WPPT may bear on what counts as "Writings."

[7] Beijing Treaty on Audiovisual Performances, June 24, 2012, 51 I.L.M. 1214. Article 6 and 7 of the Beijing Treaty are parallel to the same numbered articles of the WPPT [hereinafter Beijing treaty]. The author here was the chief U.S. negotiator for the Beijing Treaty and signed the treaty on behalf of the U.S.

[8] Article I, Section 8, Clause 8 goes by different names, perhaps the most accurate being the "Copyright and Patent Clause," but this Article follows the practice of some courts of simplifying this to the "Copyright Clause" when discussing Congress' power to grant copyrights and using "Copyright and Patent Clause" when discussing the whole structure of the enumerated power.

[9] This is the characterization I gave to a parallel debate in the late 1990s about the constitutionality of different proposals for protection of non-original databases. *See* Justin Hughes, *How Extra-Copyright Protection of Databases Can Be Constitutional*, 28 U. DAYTON L. REV. 159, 170 (2003).

[a] basic prohibitions against fixing or transmitting live musical performances; these prohibitions clearly falling outside the ambit of the Copyright Clause; and

[b] supplemental prohibitions concerning fixations made in disregard of "a"; I believe that these rules fall squarely within the ambit of the Copyright Clause.

This "two step" understanding of the anti-bootleg provisions comports with the legislative history, places the anti-bootleg provisions in context with prohibitory laws outside intellectual property, and avoids the odd reasoning in much of the commentary about providing "eternal protection" for "live performances."

As to the "supplemental" prohibitions ("[b]"), almost all prior analyses have failed to see that bootleg fixations fall within the ambit of the Copyright Clause. This error seems to happen because these analyses read copyright law's *statutory* definition of "fixation" into the *constitutional* term "Writing."[10] Because the provisions regarding what happens to unauthorized fixations *are* properly analyzed as copyright laws, the failure to constrain the provisions to a "limited time" raises a constitutional problem, at least (or particularly) as to the civil provisions, 17 U.S.C. § 1101. Similarly, there are legitimate constitutional concerns with the statute's failure to subject the supplemental rights related to bootleg fixations to copyright's exceptions and limitations.

Regarding the "basic" prohibitions ("[a]") on fixations and live transmission, Part IV describes how we can ground these prohibitions in the Necessary and Proper Clause — an argument that has decidedly been avoided by commentators and advocates opposed to the Anti-Bootlegging Act. The observation that anti-bootleg laws can complement the policy goals of copyright protection is not completely new,[11] although I hope to

[10] The few exceptions include Brief of Thirty-One Intellectual Property and Constitutional Law Professors as Amici Curiae Supporting Defendant-Appellee and Affirmance, United States v. Martignon, No. 04-5649-cr (2d Cir. May 12, 2005) at 1 (arguing that: "The government has charged that Martignon 'distributed, sold . . . trafficked . . . and reproduced' copies of unauthorized live recordings. The provisions of § 2319A that cover such conduct, §§ 2319A(a)(1) and (a)(3), concern physical copies of works — Writings that are well within the scope of the Copyright Clause.") [hereinafter Law Professors' *Martignon* Brief]. *See also* Fordham *United States v. Martignon* Panel, *supra* note 4, at 1259 (remarks of Jane C. Ginsburg).

[11] *See, e.g.*, Adam Giuliano, *Steal This Concert? The Federal Anti-Bootlegging Statute Gets Struck Down, but Not Out*, 7 VAND. J. ENT. L. & PRAC. 373, 374 (2005) (reasoning that "[p]roperly construed, the anti-bootlegging statute serves as a complement to copyright regulation, rather than a derogation from it. It thus protects artists' commercial, copyright, and free speech interests.").

elaborate on how and why the basic anti-bootlegging prohibitions in relation to live concerts advance constitutionally recognized interests. Finally, Part V offers different ways in which 17 U.S.C. §§ 1101 and 18 § 2319A can be amended to address the constitutionality of the provisions while extending anti-bootlegging protection to dramatic performers.

I. THE ANTI-BOOTLEGGING ACT AND ITS CONSTITUTIONAL CHALLENGES

In 1994, the Anti-Bootlegging Act established two statutory provisions — one civil (17 U.S.C. § 1101)[12] and one criminal (18 U.S.C. § 2319A)[13] — prohibiting the unauthorized transmission or fixation of live musical performances as well as prohibiting the reproduction, transmission or communication to the public, and distribution of any unauthorized fixations[14]:

> (a) Unauthorized Acts. — Anyone who, without the consent of the performer or performers involved—
>
> (1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation,
>
> (2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance, or
>
> (3) distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States,
>
> shall be subject to the remedies provided in sections 502 through 505, to the same extent as an infringer of copyright.

The criminal provision differs substantively only in its requirement that the activity be committed "knowingly and for purposes of commercial advantage or private financial gain" and, of course, the provisions have different remedies.[15] Because there are no express time limits in either provision, once a performance has been fixed without authorization, liabil-

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[12] 17 U.S.C. § 1101 (2012) (added Dec. 8, 1994, Pub. L. No. 103-465, Title V, Subtitle A, § 512(a), 108 Stat. 4974; March 16, 2006, P.L. 109-181, § 2(c)(3), 120 Stat. 288).

[13] 18 *id.* § 2319A (added Dec. 8, 1994, Pub. L. No. 103-465, tit. V, subtit. A, § 513(a), 108 Stat. 4974; Dec. 16, 1997, P.L. 105-147, § 2(e), 111 Stat. 2679; March 16, 2006, Pub. L. No. 109-181, § 2(c)(1), 120 Stat. 288).

[14] Each provision establishes these exclusive rights in this order via subsections (a)(1),(2), and (3) respectively, but, as discussed, the statutes are not identical.

[15] 17 U.S.C. § 1101(a) incorporates the civil remedies provided by copyright law in 17 U.S.C. §§ 502-05, while 18 U.S.C. § 2319A provides for imprisonment of up to five years, and ten years for repeat offenses, in addition to fines and forfeiture.

ity for any reproduction, distribution, or performance of the bootleg fixation seems perpetual.

It is clear that in passing the Anti-Bootlegging Act in 1994, Congress intended to fulfill the United States' obligations under the TRIPs Agreement, a trade agreement approved by Congress at roughly the same time. The provisions of the Anti-Bootlegging Act also fulfill U.S. obligations under the WIPO Performances and Phonograms Treaty (WPPT), a treaty that was completed in late 1996 and ratified by the U.S. Senate in 1998. During the passage of the Anti-Bootlegging Act, key pieces of the legislative history indicate that Congress believed (if there was any general understanding at all) that it was amending U.S. copyright law[16] but without any express statements that it was acting under the Copyright and Patent Clause. On the other side of the ledger, the key House staff person for the legislation has been adamant that Congress intended to enact the anti-bootleg provisions under Commerce Clause power[17] — and the U.S. Government has defended the anti-bootleg provisions in court under the Commerce Clause and the Treaty Power of the United States.

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16 The chairman of the Senate Subcommittee on Patents, Copyrights, and Trademarks characterized the prohibitions against "unauthorized creation and trafficking in bootleg copies of sound recordings of a [sic] live performances" as "changes to U.S. copyright law." 140 CONG. REC. S10,883 (daily ed. Aug. 5, 1994) (statement of Senator Dennis DeConcini on S. 2368), *reprinted in* WILLIAM F. PATRY, COPYRIGHT AND THE GATT: AN INTERPRETATION AND LEGISLATIVE HISTORY OF THE URUGUAY ROUND AGREEMENTS ACT (1995) at E3 [hereinafter PATRY, COPYRIGHT AND THE GATT]. William Hughes, the Chairman of the House Subcommittee on Intellectual Property also subsumed the anti-bootleg provisions under "copyright." *See* 140 CONG. REC. E2263 (daily ed. Oct. 8, 1994) (floor statement of William J. Hughes), *reprinted in* PATRY, COPYRIGHT AND THE GATT at H-3. The Senate Joint Report on the Uruguay Round Agreements Act also characterized the anti-bootleg provisions as "copyright provisions." Joint Report of the Committees on Finance, Agriculture, and Government Affairs of the United States Senate to Accompany S. 2467, S. REP. NO. 103-412, pt. IV, at 224-25 (Nov. 22, 1994) (statement of the Committee on the Judiciary), *reprinted in* PATRY, COPYRIGHT AND THE GATT at H-3.

17 William Patry, *The Constitutionality of the Bootleg Statute*, THE PATRY COPYRIGHT BLOG (May 18, 2005), http://williampatry.blogspot.com/2005/05/constiutionality-of-bootleg-statute.html ("The legislation was enacted deliberately under Congress' Commerce Clause powers. We did so because of doubt that an unfixed performance was a writing and therefore encompassed by Congress' Copyright Clause power. . . . We drafted a sui generis right under the Commerce Clause.").

A. The Constitutional Critique of the Anti-Bootlegging Act

No one or almost no one believes that the anti-bootlegging provisions would be a permissible exercise of Congress' power under the Copyright Clause. On the other hand, few question that the anti-bootlegging provisions would be a permissible exercise of Congress' power under the Commerce Clause considered by itself and as currently interpreted[18] (although perhaps one could do so from a First Amendment perspective[19]). The argument against the constitutionality of the anti-bootleg provisions usually is based on the interaction of the two constitutional clauses:

> **Step 1.** Congressional power to create the anti-bootleg law could not be grounded in the Copyright Clause because
>
> (a) the subject of protection being unfixed live performances conflicts with the "Writings" requirement, and
>
> (b) the apparent perpetual nature of the protection conflicts with the "limited times" requirement.
>
> **Step 2.** Congress could not create the law pursuant to the Commerce Clause because such action would be contrary to the limitations on congressional power imposed by the Copyright Clause ["a" and "b" above].

Step #1 requires one to determine the Copyright Clause's "grant" of power versus any "limitations" thereof. And the prose of the Copyright Clause is completely vexing in this respect. As the Second Circuit panel said in *United States v. Martignon*, "[o]ne could draw the line between grant and limitation(s) almost anywhere in this sentence . . . . We find no useful punctuation or structural clues in the text of the clause."[20] As that panel noted, the one thing that everyone seems to agree *is* a limitation — "Limited Times"[21] — occurs in the very middle of the grant.

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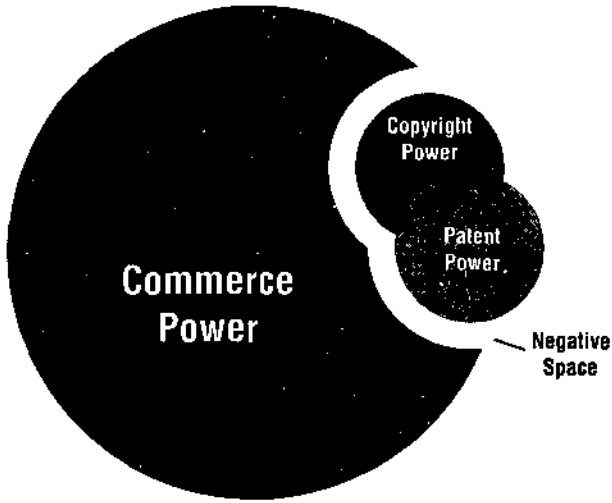
[18] Oliar, *supra* note 4, at 468 ("Are these anti-bootlegging statutes constitutional? If one were to decide solely on the basis of the Commerce Clause and the Necessary and Proper Clause, there would be little doubt on this score."); William McGinty, *Not a Copyright Law?* United States v. Martignon *and Why the Anti-Bootlegging Provisions Are Unconstitutional*, 23 BERKELEY TECH. L.J. 323, 350 (2008).

[19] For example, Marjorie Heins seems to have offered a broad and open-ended critique of the anti-bootlegging provisions based on the First Amendment. Fordham *United States v. Martignon* Panel, *supra* note 4, at 1246-54 (remarks of Marjorie Heins). For an impassioned defense of bootlegs from a bootleg collector's perspective — including historical records and free expression concerns similar to Heins — see Lee H. Rousso, *The Criminalization of Bootlegging: Unnecessary and Unwise*, 1 BUFF. INTELL. PROP. L.J. 169 (2002).

[20] 492 F.3d 140, 146 (2d Cir. 2007).

[21] *See* Eldred v. Ashcroft, 537 U.S. 186, 209-10 (2003) (treating the "Limited Times" element as a "constraint" on Congress that would be violated by

Step #2 is the "dormant Copyright Clause" analysis[22] or what might be called a "dead zone" or "negative zone" argument, i.e., a law that would otherwise be permissible via the Commerce Power becomes impermissible because the law violates some limitation of the Copyright Clause and is either "copyright" or so close to copyright as to be within the zone or "ambit" of the Copyright Clause.[23]



How big is the negative space and how does something fall in it?

"perpetual copyrights."). In relation to patents also being subject to the "Limited Times" requirement, see Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249, 255 (1945).

22 Fordham *United States v. Martignon* Panel, *supra* note 4, at 1254 (remarks of Jane C. Ginsburg).

23 *See, e.g.*, The Law Professors' *Martignon* Brief, *supra* note 10, at 13 (characterizing this area as the "scope"); *id.* at 16-17 ("exclusive domain" of the Copyright Clause). Others have referred to the "subject matter" of the Copyright Clause. Brief of Coalition for the Preservation of Performed Music as Amici Curiae Supporting Petition for a Writ of Certiorari, United States v. Moghadam, No. 99-879, at 8 (11th Cir. Jan. 25, 2000). Gravitation, radiation, emanations – different sorts of physical metaphors have also been used to describe this kind of argument in constitutional law. *See* Fordham *United States v. Martignon* Panel, *supra* note 4, at 1240 (remarks of Robert Clarida) (describing the *Martignon* district court decision as seeing "this sort of emanation from the Copyright Clause — 'well, this has something generally to do with the arts; therefore, it has to come within the ambit of the Copyright Clause, and it has to play by the rules and the limitations of the Copyright Clause'"). Confronting the question whether the Tenth Amendment forbade Congress from doing something under the Treaty Power, Justice Holmes described the issue as being "whether it is forbidden by some invisible radiation from the general terms of the Tenth Amendment." Missouri v. Holland, 252 U.S. 416, 433-34 (1920).

As Dotan Oliar puts it, "[s]pecifically, can Congress disregard limitations on its IP power by enacting the anti-bootlegging statutes under its commerce power?"[24] This is not only a debate about which of the Copyright Clause's "limits are so fundamental that they should absolutely constrain Congress' power,"[25] but it also becomes a debate over the proper characterization of the "zone," i.e., do the constraints apply to all *expressions in permanent form* or all *creative/innovative activities*?[26] Congress can certainly "disregard" the Bankruptcy Clause when it writes laws that have nothing to do with insolvency. In other words, the question assumes that the *subject matter* of the doubted legislation is copyright, copyright-related, or somehow in the "zone" of the Copyright Clause.

B. Courts Take up the Anti-Bootlegging Act – and Scholars Won't Drop It

Beginning in 1998, the anti-bootleg provisions were challenged on constitutional grounds in three litigations. In each case, the parties attacking the law made some form of the two step argument above. The common response in the three cases — the shared view of the Second and Eleventh Circuits and a California district court — has been that the anti-bootleg provisions were a permissible exercise of Commerce Clause power that did not violate any fundamental limitation on congressional power arising from the Copyright Clause.

In the first of these cases, *United States v. Moghadam*,[27] a commercial vendor of bootleg compact discs moved to dismiss the indictment against him on the grounds that protecting live performances exceeded Congress' power to grant exclusive rights to "Writings" in the Copyright Clause. The Eleventh Circuit panel declined to decide whether "Writings" could be interpreted so broadly "as to encompass live performances that are merely capable of being reduced to tangible form."[28] Assuming arguendo that "Writings" includes a fixation requirement, the panel turned to the question whether any fixation requirement of the Copyright Clause would prevent Congress from passing the anti-bootleg provisions with Commerce Clause power. The appellate panel concluded that enumerated powers are alternative grounds for legislation unless proceeding under one power

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[24] Oliar, *supra* note 4, at 468.

[25] Paul J. Heald & Suzanna Sherry, *Implied Limits on the Legislative Power: The Intellectual Property Clause as an Absolute Constraint on Congress*, 2000 U. ILL. L. REV. 1119, 1123 (2000).

[26] This need to determine the "zone" is the same kind of inquiry as figuring out what counts as "speech" for purposes of the First Amendment (performance art? Playing volleyball on the beach?).

[27] 175 F.3d 1269 (11th Cir. 1999), *cert. denied*, 529 U.S. 1036 (2000).

[28] *Id.* at 1274.

would be "fundamentally inconsistent" with limitations imposed in another enumerated power[29] — and that the anti-bootleg provisions were not fundamentally inconsistent with copyright. In other words, for the Eleventh Circuit panel "fundamental inconsistency" defined the "negative zone" penumbra created by any enumerated power.

In its 2007 *United States v. Martignon* decision,[30] the Second Circuit largely agreed, reversing a district court ruling that the criminal anti-bootleg provision was unconstitutional because it was a "copyright-like regulation"[31] that both protected unfixed works (violating "Writings") and protected them in perpetuity (violating "Limited Times"). The appellate panel reasoned that § 2319A is not a copyright law because it does not establish transferrable private rights to exclude, as would be characteristic of property rights.[32] And because it did not fall in the ontological category of a "copyright law," the court concluded that there was "no need to examine whether it violates limits of the Copyright Clause."[33]

In other words, the appellate panel did not dispute that the Copyright Clause establishes a "negative zone" but drew that zone much more narrowly than the district court had. Instead of "copyright-like," the law would have to be a "copyright law." The appellate court's definition of a "copyright law" as a law establishing property rights over expression surely disappointed scholars who might dispute that point,[34] but had a po-

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29 *Id.* at 1281 ("Extending quasi-copyright protection to unfixed live musical performances is in no way inconsistent with the Copyright Clause, even if that Clause itself does not directly authorize such protection. Quite the contrary, extending such protection actually complements and is in harmony with the existing scheme that Congress has set up under the Copyright Clause.").

30 492 F.3d 140 (2d Cir. 2007).

31 346 F. Supp. 2d 413, 424-25 (2004). Judge Baer also characterized the anti-bootlegging law as in the same "field" as copyright legislation, *id.* at 425 n.14, and "in the quasi-copyright field." *Id.* at 428.

32 492 F.3d. at 151 ("Section 2319A does not create and bestow property rights upon authors or inventors, or allocate those rights among claimants to them. It is a criminal statute, . . .").

33 *Id.* at 152 ("In sum, Section 2319A does not create, bestow, or allocate property rights in expression, it does not share the defining characteristics of other laws that are concededly 'copyright laws,' and it differs significantly from the Copyright Act that was passed pursuant to the Copyright Clause (and that is valid under it). We therefore conclude that it was not enacted under the Copyright Clause. We have no need to examine whether it violates limits of the Copyright Clause and proceed instead to an examination of its sustainability under the Commerce Clause.").

34 *See, e.g.*, Shubha Ghosh, *Deprivatizing Copyright*, 54 CASE W. RES. L. REV. 387-501 (2003) (critiquing the arc of American copyright law as transforming copyright into a private property right instead of the Founders' intention of a regulatory device for promoting the public good). My own view is that

tential silver lining: it left open the argument that the civil anti-bootlegging provision, which was not before the court, could be a "copyright law" subject to the limits imposed by the Copyright Clause.

In between the *Martignon* trial court and appellate decisions, the civil liability provision was contested on constitutional grounds in the Central District of California case *KISS Catalog, Ltd. v. Passport International Products*.[35] Agreeing with the *Martignon* district court that the anti-bootlegging statutes are "copyright-like,"[36] in December 2004, Judge William Rea granted the defendant's motion to dismiss the claim under § 1101 on the grounds that § 1101(a)(3) — the provision on distribution of copies of unauthorized recordings — violated the "Limited Times" requirement of the Copyright Clause.[37] The United States sought leave to intervene in the case but Judge Rea passed away before a rehearing could be held. The case was reassigned to Judge Dale Fischer who issued an opinion in December 2005 upholding §1101 as a constitutional exercise of Congress' authority under the Commerce Clause.[38] Judge Fischer disagreed with the concept of "copyright-like" and the broad negative zone it would create; instead she concluded that "a determination that the Statute does not fall within the ambit of the Copyright Clause ends the analysis."[39]

Yet even after this suite of decisions upholding the constitutionality of the anti-bootleg provisions, the scholarly critique based on the two step argument has continued. For example, in a 2012 article Jeanne Fromer follows others in believing that the civil anti-bootleg provision is constitutionally infirm because "unfixed performances lie outside the scope of 'Writings'" and "because it lacks a durational requirement to limit the protection" of the unfixed performances.[40] More importantly, she presents a complex analysis of the Copyright Clause reasoning that: "[a]s a general matter, when legislation has the structural purpose of promoting the progress of science and useful arts, it must restrict itself to the means

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the copyright has always been predominantly viewed as property, but the debate as to its ontological status — property, monopoly, regulation — has continued to percolate through the eighteenth, nineteenth, and twentieth centuries with no reason to think it will stop. *See* Justin Hughes, *A Short History of "Intellectual Property" in Relation to Copyright*, 33 CARDOZO L. REV. 1293 (2012); Justin Hughes, *Copyright and Incomplete Historiographies – of Piracy, Propertization, and Thomas Jefferson*, 79 S. CAL. L. REV. 993 (2006).

35 350 F. Supp. 2d 823 (C.D. Cal. 2004).

36 *Id.* at 834. *See also id.* at 830 ("This Court does not believe there can be much debate that § 1101 is a copyright-related statute.").

37 *Id.* at 837.

38 KISS Catalog, Ltd. v. Passport Int'l Prods., 405 F. Supp. 2d 1169 (C.D. Cal. 2005).

39 *Id.* at 1173.

40 Fromer, *supra* note 4, at 1399.

specified in the [IP] Clause."[41] In other words, the negative zone is any legislation that "seeks to promote the progress of science and useful arts without confining itself to the IP Clause's prescribed means."[42]

Of course, this article continues that post-litigation scholarly discussion, but on a different tack. The Commerce Clause versus Copyright Clause debate has become largely exhausted, with each person rehashing and remixing a handful of Supreme Court precedents to meet his or her ideological proclivities. Instead, this Article presents a new analysis of the anti-bootleg provisions themselves, relying on a combination of the powers permitted Congress under the Copyright Clause and the Necessary and Proper Clause.

C. Treaty Power and the "Necessary and Proper" Clause

In litigations and scholarly debate about the anti-bootleg provisions the Commerce Clause has been the central focus for everyone — judges, parties, amici, and commentators. The Treaty Power and the Necessary and Proper Clause received scant attention — and almost only from the U.S. Government lawyers.

In its *Martignon* appellate brief, the US Government made two arguments in relation to the Treaty Power and the Necessary and Proper Clause. First, the Government argued that the Anti-Bootlegging Act was proper under the Necessary and Proper Clause as a means to fulfill obligations the U.S. undertook in the WTO Agreements in exercising the Treaty Power. This line of reasoning traces back to *Missouri v. Holland*, the 1920 case in which federal laws on migratory birds were upheld as "Necessary and Proper" to fulfill U.S. treaty obligations to Canada even though the Commerce Clause did not itself (at that time) provide a grounds for the migratory bird law.[43] In a decision shortly thereafter, the Court opined that the Treaty Power "extend[s] to all proper subjects of negotiation between our government and other nations."[44]

Commentators have often questioned *Missouri v Holland* on the grounds that its reasoning would allow Congress to federalize any area of

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41 *Kiss Catalog*, 405 F. Supp. 2d at 1333.

42 Fromer, *supra* note 4, at 1400-01.

43 Missouri v. Holland, 252 U.S. 416, 432 (1920) (when a "treaty is valid there can be no dispute about the validity of the statute under Article I, § 8, as a necessary and proper means to execute the powers of the Government."); *see also* United States v. Wang Kun Lue, 134 F.3d 79, 83 (2d Cir. 1998) ("If the Hostage Taking Convention is a valid exercise of the Executive's treaty power, there is little room to dispute that the legislation passed to effectuate the treaty is valid under the Necessary and Proper Clause.").

44 Asakusa v. City of Seattle, 265 U.S. 332, 341 (1924). *See also* Goefroy v. Riggs, 133 U.S. 258 (1890) (treaty power extends to treaty addressing rights of inheritance).

law simply by taking on treaty obligations in that area. But the Government brief in *Martignon* was quick to point out — quoting *Missouri v. Holland* — that this combination of the Treaty Power and the Necessary and Proper power "does 'not . . . imply that there are no qualifications to the treaty-making power.' Rather, Congress is permitted to pass legislation implementing a treaty so long as the relevant treaty language 'does not contravene any prohibitory words to be found in the Constitution.'"[45] By using the "prohibitory words" standard, the Government was essentially refuting a broad "negative zone" argument concerning the Copyright Clause, i.e., there are no "prohibitory" words in the Copyright Clause against protecting unfixed performances.[46]

The Government's second Necessary and Proper argument in *Martignon* was a straightforward economic rationale that: "[p]rohibiting the unauthorized recording of an artist's live performance is a necessary and proper means to preserve the value of copyrights validly held on other, authorized recordings."[47]

Other than those points, the Treaty Power and the Necessary and Proper Clause were ignored by practically everyone.[48] Satisfied with their

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[45] Brief for the United States of America at 26, United States v. Martignon, 492 F.3d 190 (2d Cir. 2007 (No. 04-5649-cr) [hereinafter U.S. Government *Martignon* Brief] (quoting *Missouri v. Holland*, 252 U.S. at 433).

[46] *Id.* ("Moreover, there are no 'prohibitory words' in the Constitution barring Congress from granting perpetual protection to noncopyrightable live performances. Rather, at best the district court found a negative implication from the affirmative grant of authority in the Copyright Clause that Congress may not regulate matters which are copyright-like in ways not expressly authorized by that affirmative grant. Even if this negative implication is enough to restrain Congress' authority under the Commerce Clause, it falls far short of the sort of 'prohibitory words' required under *Holland* to bar Congress from passing legislation required to meet treaty obligations. Accordingly, the Anti-Bootlegging Act is a proper exercise of congressional authority under the Necessary and Proper Clause.").

[47] U.S. Government *Martignon* Brief, *supra* note 45, at 27-28.

[48] The Treaty Power/Necessary and Proper argument was not discussed by the music industry in their *Moghadam* brief, but was reviewed in their brief in *Martignon*. *See* United States v. Martignon Brief of Amici Curiae UMG Recordings, Inc., EMI Music North America d/b/a Capitol Records, Inc., Warner Music Inc., Univision Music LLC, d/b/a Univision Music Group, National Academy of Recording Arts & Sciences, American Federation of Musicians of the United States and Canada, American Federation of Television and Radio Artists, Recording Artists Coalition and National Music Publishers Association, Inc. in Support of Reversal, May 25, 2005. The Necessary and Proper Clause also received passing mention in the United States v. Martignon Brief Amicus Curiae of the Association of American Publishers; American Business Media; CoStar Group, Inc.; the National Association of Realtors(R); Reed Elsevier Inc.; and the Software & Information Industry Association Supporting Reversal, May 25, 2005.

exegesis on the Commerce Clause, the Second and Eleventh Circuits expressly disavowed any conclusions about the Necessary and Proper clause.[49] Given that the arguments about the Necessary and Proper Clause appear to have been a non-event in the litigations, it would be easy to wipe them from the historical record. But after we reexamine the anti-bootleg provisions, we will find that some elements of the anti-bootleg laws are best viewed as "copyright" and the remainder can be justified by our Necessary and Proper jurisprudence.

II. REASONABLE EXTENSION TO AUDIOVISUAL PERFORMERS

In June 2012, the United States and forty-seven other nations signed the Beijing Treaty on Audiovisual Performances (2012).[50] In a very real sense, the Beijing Treaty represents the completion — or near completion — of the "digital copyright" agenda that WIPO undertook immediately following the completion of the TRIPS Agreement in 1994. The successful diplomatic conference in Beijing was the third attempt to modernize the protection of dramatic performers following an unsuccessful effort to include actors in the 1996 WIPO Performances and Phonograms Treaty (WPPT) and then deadlock at a 2000 diplomatic conference trying to complete a free-standing treaty to complement the WPPT. Most of the substantive provisions in the Beijing Treaty come from this earlier work in the 1996-2000 period.

Precisely because it is intended to complement the WPPT, the Beijing Treaty establishes international norms for the protection of actors that almost exactly parallel the norms for the protection of musicians that were established in 1996. Most of the "new" elements in the Beijing Treaty are actually things that should please commentators concerned about overly strong, unbalanced IP protection. Yet, despite that, the Beijing Treaty has

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[49] United States v. Martignon, 492 F.3d at 143 n.2 ("The Necessary and Proper Clause . . . does not figure in our disposition of this case"); United States v. Moghadam, 175 F.3d at 1281, n.13 ("In light of our disposition of this case, we need not address the Necessary and Proper Clause, U.S. Const. art. I, § 8, cl. 18, as a possible source of Congressional power.").

[50] Beijing Treaty on Audiovisual Performances, June 24, 2012, AVP/DC/20, *available at* www.wipo.int/edocs/mdocs/copyright/en/avp_dc/avp_dc_20.pdf. The treaty was held open for signature for one year and during that period another twenty-one states became signatories (Austria, Belgium, Botswana, Bulgaria, El Salvador, Estonia, Germany, Greece, Guatemala, Honduras, Indonesia, Ireland, Luxembourg, Montenegro, Netherlands, Poland, Qatar, Slovenia, Uganda, the UK, and Zimbabwe). The European Union also joined as an original signatory. See WIPO Administered Treaties, WIPO, http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=841 (last visited December 30, 2013).

already been subject to ill-informed criticism from the digerati[51] and some academics.[52]

Because U.S. copyright law treats performers (musical and dramatic) as "authors," Title 17 already provides dramatic performers in the U.S. with the rights required by the Beijing Treaty[53] — with the exception of protection against bootlegging. (If there are questions about U.S. copyright law in relation to our international obligations, these issues are system-wide and not specific to performers.)[54] So, compliance with the

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[51] Mike Masnick, *WIPO Is Quietly Signing an Agreement to Give Hollywood Stars Their Own Special Version of Copyright*, TECHDIRT (June 26, 2012, 5:07 AM), http://www.techdirt.com/articles/20120625/20471219474/wipo-is-quietly-signing-agreement-to-give-hollywood-stars-their-own-special-version-copyright.shtml; Carolina Rossi, Mitch Stoltz & Yana Welinder, *Beijing Treaty on Audiovisual Performances: We Need to Read the Fine Print*, ELECTRONIC FRONTIER FOUNDATION (July 24, 2012), https://www.eff.org/deeplinks/2012/07/beijing-treaty-audiovisual-performances.

[52] *See, e.g.*, Hannibal Travis, *Trading Away the Internet*, PRAWFSBLOG (July 1, 2012), http://prawfsblawg.blogs.com/prawfsblawg/2012/07/trading-away-the-internet.html. Professor Hannibal presents a rhetorical analysis that seems unaware that the Beijing Treaty's provision parallel those of treaties that the U.S. implemented in 1998 — without, apparently, "trading away the internet" that emerged from 1998 onwards. *See also* Guy Pessach, A Tale of Two Treaties: International Copyright Law from Beijing to Marrakesh (Lecture at the Center for International Law, New York Law School (Sept. 17, 2013)).

[53] *See, e.g.*, UNITED STATES PATENT AND TRADEMARK OFFICE, BACKGROUND AND SUMMARY OF THE 2012 WIPO AUDIOVISUAL PERFORMANCES TREATY 2 (June 2012) ("Under U.S. law, actors and musicians are considered to be "authors" of their performances providing them with copyright rights."), *available at* http://www.uspto.gov/sites/default/files/news/WIPO_AVP_TREATY_FACT_SHEET.pdf; COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICE § 808.4(D) (2d ed. 1984) (recognizing dramatic performance as element of "motion picture authorship"). *See also* Richlin v. Metro-Goldwyn-Mayer, 531 F.3d 962, 970 (9th Cir. 2007) (recognizing "Peter Sellers's legendary comedic performance" as a potential basis for co-authorship).

[54] The two questions that seem to loom largest are [a] whether the 17 U.S.C. § 106 right of distribution includes a right of making available to meet our obligations under the WCT/WPPT, and [b] whether American law provides sufficient protection of moral rights to meet our obligations under the Berne Convention, TRIPs, and the WPPT. For analysis of the former problem, 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); *The Scope of Copyright Protection: Hearing Before the Subcomm. on Courts, Intell. Prop. & the Internet of the H. Comm. on the Judiciary*, 113th Cong. 8-26 (2014) (prepared statement entitled "Policy Considerations Relating to Copyright Law's 'Making Available Right'"). For analysis of the latter problem, see Justin Hughes, *American Moral Rights and Fixing the Dastar Gap*, 2007 UTAH L. REV. 659 (2007). Whatever one's answers to these

Beijing Treaty will require very minor amendment to §§ 1110 and 2319A. The current language of section 1101 prohibits an unauthorized person from doing the following:

> (1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation,
> (2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance, ...

The simplest amendment would be striking the word "musical" so that the provisions applied to "a live performance" with legislative history making it clear that this is intended to cover musical and dramatic performances up to the full scope of obligations a country undertakes with the WPPT and the Beijing Treaty. Almost as simple would be the insertion of "or dramatic" or "dramatic or choreographic" after "musical" so the prohibitions apply to "a live musical, dramatic, or choreographic performance." In either case, exactly the same tweaks can be done on the parallel language of § 2319A. Part V provides slight variations on how this amendment could be done (as well as providing amendments to address the constitutional problems identified in Part III).

Such amendments are also minor in the sense that there seems to be very little citizen behavior that would be implicated. While recordation of portions of music concerts has become common with smartphones and PDAs, there is little or no evidence that similar habits exist among playgoers attending dramatic performances. Unauthorized, on-set recording of television or feature film shoots may be more common, but the simultaneous authorized fixation being created during such shoots means that the "bootleg" activity is already proscribed by copyright law.

III. A NEW ANALYSIS OF HOW THE COPYRIGHT CLAUSE APPLIES TO 17 U.S.C. §§ 1101 AND 2319A

Much of the sturm und drang over the anti-bootlegging provisions came from viewing the provisions as "copyright-like protection for live performances,"[55] believing that "[t]he most compelling issue involves the expansion of copyright protection into the realm of unfixed works,"[56] strangely worrying about "live musical performances [being] protected for eternity from bootlegging"[57] and wondering whether "Writings" in the

questions, the same analysis would apply to the parallel obligations under the Beijing Treaty.

[55] 350 F. Supp. 2d at 834.

[56] Joseph C. Merschman, *Note: Anchoring Copyright Laws in the Copyright Clause: Halting the Commerce Clause End Run around Limits on Congress' Copyright Power*, 34 CONN. L. REV. 661, 668 (2002).

[57] Fromer, *supra* note 4, at 1401.

Copyright Clause "can be expanded so as to encompass live performances that are merely capable of being reduced to tangible form, but have not been."[58]

Approaching the anti-bootleg provisions this way seems to overlook one simple fact: once there is a bootleg, we are talking about a *fixed performance* in the common meaning of those terms. Instead of subjecting § 1101 or § 2319A to a unitary approach, a better analysis of the two provisions recognizes that each provision has two types of components: [a] prohibitions on *transmission* and *fixation* in relation to live performances — such prohibitions applying *only* at the time of the live performance — and [b] a set of rules governing fixations that are made despite the prohibition on fixation in "a."

A. The Two-Part Nature of Each Anti-Bootleg Provision

The idea that the anti-bootleg provisions involve two distinct sorts of rules is not new. In 1994, Representative William J. Hughes,[59] then chairman of the Subcommittee on Intellectual Property and Judicial Administration, offered this description in the *Congressional Record* of the anti-bootleg provisions:

> The *basic right* granted is to prohibit the unauthorized fixation of the 'sounds or sounds and images' of a live musical performance. This right covers individuals who use audio equipment or video cameras. The basic right to prohibit unauthorized fixations is *supplemented* by the right to prevent unauthorized reproduction of copies or phonorecords of live musical performances made from an unauthorized fixation, the right to prevent unauthorized transmissions or other communications to the public of the sound or sounds and images of a live musical performance, as well as distributions, offers to distribute, sales or offers to sell, or trafficking in any copy o[r] phonorecord of a live musical performance fixed without the authorization of the performer or performers involved.[60]

Chairman Hughes' explanation clearly separates the "basic right" from the "supplemental" rights in the provisions. The only difference is that I think that the right to prevent *transmissions* of live musical performances *as they occur* is more properly clumped with the "basic right . . . to prohibit the unauthorized fixation of . . . a live musical performance" —

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58 175 F.3d at 1274.

59 The Subcommittee on Intellectual Property and Judicial Administration of the House Judiciary Committee had been the principle forum for the intellectual property implementation components of the Uruguay Rounds Agreements Act, of which the federal Anti-Bootlegging Act was part. William J. Hughes was not a close relative of this author.

60 140 CONG. REC. E2263-64 (daily ed. Oct. 8, 1994) (remarks of Rep. William J. Hughes) (emphasis added), *reprinted in* 7 URUGUAY ROUND AGREEMENT ACT, A LEGISLATIVE HISTORY OF PUBLIC LAW NO. 103-465, at [n.p.] (Bernard D. Reams, Jr. & Jon S. Schultz eds., 1995).

on the grounds that both those rights can be violated *only* during the live performance. Chairman Hughes — or staff who drafted the statement for him — can be forgiven on this point because his wording is ambiguous: a "transmissions or other communications to the public of the sound or sounds and images of a live musical performance" — could occur from *either* the live performance as it happens *or* an unauthorized fixation, broadcast later.[61]

1. How the Anti-Bootleg Provisions Have a Structure Similar to Other Laws

This two part understanding of the anti-bootleg provisions reveals their rough parallel to other laws where we [a] prohibit the existence of some X, and [b] establish supplemental rules to deal with X where it comes to exist despite "a." For example, this is the general structure of smuggling laws: there is a prohibition on X existing in the country (it is illegal to bring it in) and if X is found, there are supplemental rules to address control and disposition of X. Let's consider two examples — federal laws barring the importation of pre-Columbian artifacts and federal laws addressing endangered species.

Section 2092(a) of Title 19 bars the importation of pre-Columbian artifacts unless they have an acceptable export license from the country of origin:

> No pre-Columbian monumental or architectural sculpture or mural which is exported (whether or not such exportation is to the United States) from the country of origin after the effective date of the regulation listing such sculpture or mural pursuant to section 2091 of this title may be imported into the United States unless the government of the country of origin of such sculpture or mural issues a certificate, in a form acceptable to the Secretary, which certifies that such exportation was not in violation of the laws of that country.[62]

This is the "primary" or "basic" prohibition — designed to ensure that the X (an illegally exported pre-Columbian artifact) does not exist in the United States. But obviously the law needs to anticipate what happens if the basic prohibition is violated and such artifacts are found. Section 2093(a) provides the "[a]ny pre-Columbian monumental or architectural sculpture or mural imported into the United States in violation of this chapter shall be seized and subject to forfeiture under the customs laws."[63]

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[61] In *Moghadam*, the Eleventh Circuit intuited this division too in remarking "[t]he rights created by the anti-bootlegging provisions of URAA are actually hybrid rights that in some ways resemble the protections of copyright law but in other ways are distinct from them." 174 F.3d at 1272.

[62] 19 U.S.C. § 209a (2012) (export certification requirement).

[63] *Id.* § 2093 (forfeiture of unlawful imports).

(Not surprisingly, this is the same remedy for the imported bootleg found by customs.)[64] The provision further stipulates that the seized artifact will first be offered to the country of origin and, if unwanted, disposed of in the manner of other articles forfeited for violation of customs laws.

One sees a similar structure in the 1973 Endangered Species Act now codified in Title 16. Section 1538 of Title 16 provides that in relation to species that have been declared endangered,

> [I]it is unlawful for any person subject to the jurisdiction of the United States to—
>
> (A) import any such species into, or export any such species from the United States;
>
> (B) take any such species within the United States or the territorial sea of the United States;
>
> (C) take any such species upon the high seas;[65]

These prohibitions can be understood at "primary" or "basic" in the sense that if they are honored there will be no X — no animal that is an endangered species will, dead or alive, be in the possession of a person in the United States. Section 1540 provides substantial financial penalties for violation of section 1538, but also provides for the seizure and forfeiture (to the United States) of any animals or plants found in the possession of persons in violation of section 1538.[66] Again not surprisingly, both the Endangered Species Act and the criminal anti-bootleg provision have supplemental provisions permitting the forfeiture and/or destruction of equipment used in causing the X to exist.[67]

While these two laws —Endangered Species Act and law on pre-Columbian artifacts — are quite different from the anti-bootleg provisions, all three approach an identified problem the same way: forbidding some conduct that will produce an X and then providing for disposition of the X should it nonetheless come into existence. Each law has "basic" and "supplemental" provisions in the sense that chairman Hughes meant: if the basic provision had 100% compliance, the supplemental provisions would be superfluous.

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64 18 *id.* § 2319A(c).

65 16 *id.* § 1538.

66 *Id.* § 1540(4)(a) ("All fish or wildlife or plants taken, possessed, sold, purchased, offered for sale or purchase, transported, delivered, received, carried, shipped, exported, or imported contrary to the provisions of this chapter, any regulation made pursuant thereto, or any permit or certificate issued hereunder shall be subject to forfeiture to the United States.").

67 For the Anti-Bootlegging Act provision, see 18 *id.* 2319A(b); for the Endangered Species Act, see 16 *id.* § 1540(e)(4). It should be noted that by cross-referencing the remedies provided by the Copyright Act (§§ 502–505), the civil anti-bootleg provision does not require forfeiture of infringing copies to the copyright owner, although the court may provide for the "reasonable disposition" of them. *See* 17 *id.* § 503(b).

It might be observed that intellectual property laws also have the same structure of exclusive rights that are "basic" and clean-up rules for what happens when the basic rights are violated. And, indeed, that might mean that different provisions of Title 17 or Title 35 are subject to different Constitutional analyses. As discussed in Part IV, the Supreme Court has often upheld criminal sanction provisions in federal laws under the Necessary and Proper Clause while the substantive body of the same law might be the exercise of an enumerated power. Although such a nuanced approach has not been applied to intellectual property laws to date, that is exactly what we should do with the anti-bootleg provisions.

2. This Understanding Avoids Strange Formulations

An important virtue of understanding the anti-bootleg provisions this way is that it helps us avoid some of strange pronouncements (or misunderstandings) of what the provisions do, i.e., "copyright-like protection for live performances," "assigning rights in unfixed works,"[68] "the expansion of copyright protection into the realm of unfixed works," "protecting unfixed performances,"[69] "confer[ring] exclusive rights . . . to intangible works of original expression"[70] and "live musical performances [being] protected for eternity from bootlegging." Eternal protection of live performances? It sounds like a Coachella-esque hell in which the audience cannot leave and the band never exits the stage.

It makes much more sense to understand the basic prohibitions as applying to an *event* and the supplemental prohibitions as applying to a *thing* — a fixed performance that happens to have been fixed without authorization.

As to what chairman Hughes called the "basic" right(s), it is true that the prohibitions on transmitting or recording the performer without au-

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68 Peter A. Jaszi, *Goodbye to All That – A Reluctant (and Perhaps Premature) Adieu to a Constitutionally-Grounded Discourse of Public Interest in Copyright Law*, 29 VAND. J. TRANSNAT'L L. 595, 602 (1996). When Jaszi observes "unfixed works are not, by definition, within the subject matter of copyright, because they do not qualify as 'writings,'" *id.* at 604, that is correct; the point is that once the performance is fixed, it is a writing — something Jaszi does not directly dispute.

69 *See, e.g.*, Fordham *United States v. Martignon* Panel, *supra* note 4, at 1232-33 (remarks of William Patry) ("by definition, we were only protecting unfixed performances"). *See also* Dawn R. Maynor, Note, *Just Let the Music Play: How Classic Bootlegging Can Buoy the Drowning Music Industry*, 10 J. INTELL. PROP. L. 173, 188 (2002) (section 1101 "extends protection to un-fixed live musical performances").

70 Law Professors' *Martignon* Brief, *supra* note 10, at 15. In fairness, the brief principally argues — correctly — that the unauthorized fixations are Writings subject to the Copyright Clause.

thorization are outside the scope of Congress' power under the Copyright Clause; but one can reason that these prohibitions are justified under the Necessary and Proper Clause to fulfill the purposes of the Copyright Clause. This argument will be explored in Part IV.

In contrast, as to the "supplemental" prohibitions — the rules governing recordings that were made despite the prohibition on fixation — I believe that those prohibitions fall squarely within the scope of the Copyright Clause. This is because those recordings *are* "Writings." Perpetual protection of such recordings/writings is obviously prohibited by Section 8, Clause 8 — meaning that modest amendment of § 1101 (and preferably § 2319A) is warranted. A less obvious but arguably more important problem is that the exclusive rights over these recordings ought to be subject to the exceptions and limitations of copyright law.

B. Once They Exist, Bootlegs Are Constitutional "Writings"

Recall that the claim that emerges in the cases was that one class of fixations are not "Writings" under the Constitution because they are *not fixed by or under the authority of the author.* In other words, this argument depends on us accepting a highly contingent understanding of "Writings" that is broader than the commonsensical meaning both in the 1780s and now, but *not* so broad as to permit the Anti-Bootlegging Act. This peculiar meaning of "Writing" is even more particular than is generally realized because it reads a statutory element from Title 17 (that didn't exist until 1976) into the Copyright Clause's requirements. The idea of a *fixation-authorized-by-the-author* requirement has no basis in the history of "Writings" in the Copyright Clause, is inconsistent with how we treat inventions under the same clause, and relies on an ambiguous distinction ill-suited for determining when one qualifies for exclusive rights.

1. The Meaning of "Writings" in the Constitution

The obvious place to start for the meaning of "Writings" is with an originalist frame of mind — keeping in mind that our goal is not a comprehensive understanding of "Writings," but only whether the term could be read to require that the physical manifestation made "by" or under "authority" of the author.

There is no historical record on which to dispute Dotan Oliar's view that by "Writings" the Framers meant printed works that were initially *written* by the author, that is, "penned works."[71] The dictionaries pub-

[71] Oliar, *supra* note 4, at 489.

lished in England and the United States closest on both sides of the Constitution's drafting certainly endorse that meaning.[72]

In the specific context of the Constitutional Convention, the word "writings" did not appear in the August 1787 proposals that led to the Copyright Clause. Indeed, there was no word at all describing what the exclusive rights would cover: Madison had proposed a congressional power to "secure to literary authors their copy rights for a limited time" while Pinckney had proposed to "secure to Authors exclusive rights for a certain time."[73] To add headache to mystery, an earlier May 1787 proposal from Pinckney had had a subject matter, proposing to give authors rights in their "Performances and Discoveries."[74]

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[72] According to 1906 testimony, at the time of the Constitutional Convention the "The dictionaries in [the Philadelphia] library were Johnson's, Bailey's, Ash's, and Phillips's" and "Ash defines 'writing' as 'playing the author.' Johnson defines 'writing' (from writ) as 'a composure, a book, for example.'" ARGUMENTS BEFORE THE COMMITTEE ON PATENTS OF THE SENATE AND HOUSE OF REPRESENTATIVES CONJOINTLY, June 6,7, 8 and 9, 1906 at 390 (906) [hereinafter 1906 ARGUMENTS]. The "Johnson" appears to Samuel Johnson's 1768 *A Dictionary of the English Language*, which defined "writing" as "1. A legal instrument; 2. A composure; a book; 3. A written paper of any kind." SAMUEL JOHNSON, A DICTIONARY OF THE ENGLISH LANGUAGE [n.p.] (Dublin, W.G. Jones 1868). The first *Webster's Dictionary* (1828) gave this definition of "writing":

> 1. The act or art of forming letters and characters, on paper, wood, stone or other material, for the purpose of recording the ideas which characters and the words express, or of communicating them to others by visible signs. We hardly know which to admire most, the ingenuity or the utility of the art of writing; 2. Any thing written or expressed in letters; hence, any legal instrument, as a deed, a receipt, a bond, an agreement, &c.; 3. A book; any written composition; a pamphlet; as the writings of Addison.; 4. An inscription. John 19.; 5. Writings, plu. conveyances of lands; deeds; or any official papers.

2 NOAH WEBSTER, WEBSTER'S AMERICAN DICTIONARY OF THE ENGLISH LANGUAGE [n.p] (New York, S. Converse 1828).

[73] 2 THE WRITINGS OF JAMES MADISON: 1787, THE JOURNAL OF THE CONSTITUTIONAL CONVENTION 229–30 (Gaillard Hunt ed., 1903) (noting that for August 18, 1787, Mr. Madison's submission of "powers as proper to be added to those of the General Legislature"); *id.* at 230 (listing Mr. Pinckey's proposals); *see also* BRUCE W. BUGBEE, GENESIS OF AMERICAN PATENT AND COPYRIGHT LAW (1967) (reporting this as being August 17, but Madison's journals clearly indicate August 18).

[74] In May, Pinckney had himself made a proposal that authors be protected in their "Performances and Discoveries." Dotan Oliar, *The (Constitutional) Convention on IP: A New Reading*, 57 UCLA L. REV. 421, 429 n.34 (2009) (citing Karl Fenning, *The Origin of the Patent and Copyright Clause of the Constitution*, 17 GEO. L.J. 109, 109-10 (1929). This proposal, while not expressly opposed, seemed to go nowhere. Protection of authors was not among the enumerated powers in the August 6 draft produced by the Com-

So where did the word "Writings" come from? The day they were introduced the Madison and Pinckney proposals "were referred to the Committee of detail" unanimously[75] and with no debate.[76] But the proposals were not initially acted upon by the Committee on Detail or the Committee of Style and Arrangement, which produced the September 12 draft of the Constitution; instead, it appears that the Madison and Pinckney proposals were taken up by the *Third* "Committee of Eleven," alternatively called the Committee on Postponed Matters.[77] It is that committee — proposed and appointed on August 31 — that prepared the final Copyright and Patent Clause[78] presented to the Convention on September 5, 1787.[79] The wording was accepted by the Convention on that date *nemine contradicente*.[80] (The better-known Committee of Style and Arrangement did not begin work until three days later on September 8.)

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mittee on Detail. *See Madison Debates August 6*, THE AVALON PROJECT, http://avalon.law.yale.edu/18th_century/debates_806.asp (last visited Mar. 17, 2015).

75 JAMES MADISON, NOTES OF DEBATES IN THE FEDERAL CONVENTION OF 1787 REPORTED BY JAMES MADISON 477-78 (A. Koch ed. 1966) (1918). *See also* 5 DEBATES ON THE ADOPTION OF THE FEDERAL CONSTITUTION, IN THE CONVENTION HELD AT PHILADELPHIA, IN 1787, at 440 (Jonathan Elliot ed., 2d ed. Wash. 1845); BRUCE W. BUGBEE, GENESIS OF AMERICAN PATENT AND COPYRIGHT LAW 126 (1967).

76 2 RECORDS OF THE FEDERAL CONVENTION OF 1787, at 324-26 (Farrand ed. 1966) (Madison's records on the introduction); 2 RECORDS OF THE FEDERAL CONVENTION OF 1787, at 321-22 (Farrand ed. 1966) (Journal records on the introduction).

77 It is also referred to as the "Committee on Unfinished Parts". *See* John R. Vile, 1 THE CONSTITUTIONAL CONVENTION OF 1787: A COMPREHENSIVE ENCYCLOPEDIA 113-14 (2004) (describing formation, membership and alterative names of this committee). The ad hoc committee system of the Constitutional Convention engenders confusion because it was more ad hoc than it was a system. *See, e.g.*, 1 WILLLIAM F. PATRY, COPYRIGHT LAW AND PRACTICE 23-24 (2014) (first, correctly saying that the Madison and Pinckney proposals were considered by the Committee of Eleven, then later saying "the Committee on Detail reported the proposed copyright and patent sections of the Constitution to the Congress"). I have also implied that the Committee on Detail wrote the Copyright and Patent Clause. Justin Hughes, *Copyright and Incomplete Historiographies – Of Piracy, Propertization, and Thomas Jefferson*, 79 So. CAL. L. REV. 993, 1024 (2006).

78 DAVID O. STEWART, THE SUMMER OF 1787, at 211 (2007) (describing the agenda of the Committee on Postponed Parts as including "to decide whether to authorize copyrights and patents").

79 As with the introduction of the Madison and Pinckney proposals, there was no debate or discussion of the new, combined language. 2 RECORDS OF THE FEDERAL CONVENTION OF 1787, at 509–10 (Farrand ed. 1966); *id.* at 505-06.

80 *Id.*

So, it was between August 31 and September 5 that some individual(s) within the Committee of Eleven combined and massaged the Madison and Pinckney proposals into Article I, Section 8, clause 8, as we know it. We have no records of that committee's deliberations, but there is agreement among historians and legal scholars that the Convention's members were influenced by existing state constitutions and laws.[81] So, an originalist might conclude that "Writings" was intended to have the same scope as what was protected by state copyright laws.[82]

A comprehensive list of what was protected in the twelve state copyright laws at the time of the Constitutional Convention includes "books" (twelve states), "pamphlets" (seven states), "maps" (three states), "charts" (three states), "treatises" (three states), "other literary works" (three states), "unpublished manuscripts" (two states), and "other writings" (two states). If one counts titles of Acts and statutory preambles, one can also add to the mix: "literary productions" (three states), "works" plain and simple (two states), "literary property" (Maryland), and plain "writings" (Connecticut).

Bearing down on this further we can look at what was protected under the state laws of the members of the Third Committee of Eleven. Basically, all states with copyright laws were represented, except Rhode Island and New York:[83]

Abraham Baldwin, Georgia	*books, pamphlets, maps, Charts, unpublished manuscripts* [preamble also says "works"]
David Brearly, New Jersey	*books, pamphlets* [preamble also says *treatises for publication*]
Pierce Butler, South Carolina	*books, pamphlets*
David Carroll, Maryland	*books, other writings* [title also says "literary property"]

[81] *See, e.g.*, Oliar, *supra* note 74.

[82] There is decidedly nothing new in this approach. In the 1906 hearings, Nathan Burkan urged much the same approach. 1906 ARGUMENTS, *supra* note 72, at 339 ("To ascertain what these men understood by writings, it may be profitable and useful to refer to the copyright laws they had enacted before they framed the Constitution."). But Burkan then turned to flowery preambular language in the state statutes — perhaps because his goal was the absolutely widest possible meaning.

[83] For the text of all of these statutes, see COPYRIGHT ENACTMENTS OF THE UNITED STATES 1783–1906 (Thorvald Solberg comp., 1906). The mathematically-minded will note that there are only ten gentlemen on this list; the eleventh member of the Committee of Eleven was John Dickinson from Delaware, the one state without a copyright law.

Rufus King – Massachusetts	*books, treatises, other literary*
Nicholas Gilman, New Hampshire	*works* [title also says "literary productions"]
James Madison – Virginia	*books, pamphlets* [Act's title also says "literary works"]
Gouverneur Morris – Pennsylvania	*books, other writings, pamphlets*
Roger Sherman – Connecticut	*books, pamphlets, maps, charts* [preamble also says "writings"]
Hugh Williamson, North Carolina	*books, maps, charts*

So, all three states where state law was understood to grant copyright to "writings" were present in the room. The committee was chaired by David Brearly, whose state law protected "books, pamphlets, and 'treatises for publication.'" A more promising source for the word "Writing" is Gouverneur Morris, considered to have been a dominant force in the word choice for so many Constitutional provisions. His state — Pennsylvania — provided copyright to "books," "pamphlets," and "other writings." If he used his own state law as a template, he would have regarded "writings" as encompassing books and much more. Given that the Convention was committed to "[t]o use simple and precise language, and general propositions,"[84] it seems reasonable to conclude that "writings" was chosen as a general word encompassing all the various works protected under the state laws.[85] Any stronger claims about what the Framers "meant" are unwarranted.[86]

If American jurisprudence had kept with an originalist reading of "writings" then from the mid-nineteenth century onwards, any Congress

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[84] RECORDS OF THE FEDERAL CONVENTION pmbl, *available at* http://press-pubs.uchicago.edu/founders/documents/preambles7.html. Nathan Burkan made a similar argument abut concise language in 1906 hearings before Congress. 1906 ARGUMENTS, *supra* note 72, at 339 ("So, to embrace all the rights of an author in the concisest language possible—they were not framing a code, this was to be a constitution — they used the concisest language possible; they used the word "writings," by which they intended to cover every form of intellectual creation.").

[85] True to that understanding, the first bill for a copyright statute — in 1789 — proposed to protect only "books." Copyright (and Patents) Bill [H.R. 10], June 23, 1789, 4 LEGISLATIVE HISTORIES: DOCUMENTARY HISTORY OF THE FIRST FEDERAL CONGRESS OF THE UNITED STATES OF AMERICA 513, 514 (1986).

[86] Edward C. Walterscheid, *Understanding the Copyright Act of 1790: The issue of Common Law Copyright in America and the Modern Interpretation of the Copyright Power*, 53 J. COPYRIGHT SOC'Y 313, 324 (2006) ("No delegate to the federal convention has left any record concerning the interpretation or meaning placed on the Patent and Copyright Clause by the delegates themselves.").

that wanted to provide exclusive rights to photography, fine arts, motion pictures, sound recordings, and software, it would have had to do so via the Commerce Clause — *or not at all.* It is fun to speculate on such an alternative universe: if "Writings" meant that which only is done with pen and ink and printing press, do we think Congress would have denied Commerce Clause-based protection to motion pictures, sound recordings, or software?[87]

But neither our nineteenth- nor twentieth-century predecessors believed that "Writings" was a concept that, in Learned Hand's phrase, "embalm[ed] inflexibly the habits of 1789"[88]: Article I, section 8, clause 8 expanded to encompass prints, etchings, paintings, sculpture, photographs, moving pictures, sound recordings, and software. To be sure, there were disagreements over the expansion and occasional awkwardness on where to draw the line, but expand it did.

When the issue of copyright in photographs came before the Court in the 1884 *Burrow-Giles Lithographic Co. v. Sarony* case, counsel for Burrow-Giles argued that photographs should not be protected by copyright, but had a hard time drawing a line between them and other pictures — etchings and paintings. Indeed, Burrow-Giles's counsel believed that these other types of works were also not "writings,"[89] but conceded that

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87 I'm afraid the stridency within legal academia in the present day means that some professors would answer this question "yes," but I think the the common sense answer is that courts would have recognized Commerce Clause power to protect all these new forms of creative expression, investment, and business. As the Court said in *Goldstein v. California*:

> [t]he history of federal copyright statutes indicates that the congressional determination to consider specific classes of writings is dependent not only on the character of the writing, but also on the commercial importance of the product to the national economy. As our technology has expanded the means available for creative activity and has provided economical means for reproducing manifestations of such activity, new areas of federal protection have been initiated.

412 U.S. 546, 562 (1973). If the Copyright Clause had not been available, my own guess is that the Commerce Clause would have been brought to bear very quickly.

88 Hand embraced an expansive meaning of "Writing" in *Reiss v. National Quotation Bureau*, 276 F. 717, 719 (S.D.N.Y. 1921).

89 Statement and Brief for Plaintiff in Error at 5, Burrow-Giles Lithographic Co. v. Sarony, 111 U.S. 53 (1884); *see id.* at 7 ("[W]e are driven irresistibly to the conclusion that any Act of Congress, which goes further than to patent inventions and copyright literary works, is unconstitutional and void.") [hereinafter Burrow-Giles Brief]. For a more extended discussion, see Justin Hughes, *The Photographer's Copyright – Photograph as Art, Photograph as Database,* 25 HARV. J. L. & TECH. 339, 354-56 (2012).

this was water under the bridge.[90] Justice Miller firmly rebuffed Burrow-Giles's argument telling us that "[b]y writings in that clause is meant the literary productions of those authors, and Congress very properly has declared these to include all forms of writing, printing, engraving, etching, &c., by which the ideas in the mind of the author are given visible expression."[91] But even then, Miller must have meant quite a liberal understanding of "literary" since musical compositions, paintings, and statues were all protected by copyright at that time.

From protection of photography, protection of moving pictures followed, with statutory expansions to sound recordings and software not far behind. Generally speaking, this robust expansion of "Writing" has happened with only minor skirmishes,[92] perhaps the most charming being Justice Douglas' never-too-late dissent in *Mazer v. Stein*, calling for

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[90] Without formally abandoning its argument as to "writings," Burrow-Giles acknowledged that Congress had included artistic works in copyright and noted that it was "ready to discuss the question at issue on the basis of this wide construction, erroneous though [it] consider[ed] it." Burrow-Giles Brief, *supra* note 89, at 18.

[91] 111 U.S. at 58.

[92] After the *Sarony* decision, the next major skirmish seems to have occurred when Congress took up the issue whether piano rolls and phonograph records embodying musical compositions could be reproduced without the composers' permission. 1906 ARGUMENTS, *supra* note 72. Those representing the fledgling recorded music industry objected to the expansion of copyright to include piano rolls and engraved records for phonograph machines on the grounds that such rolls and records could not be read by humans and, therefore, were not "Writings." For example, one proponent of the new playing machines, G. Hewett Davis, testified: "[u]nder the Constitution, as I understand it, I have the right to use anything that is not a writing, a readable writing," *id.* at 95, meaning that the piano roll, as long as it was not a human-readable "writing" was not a *reproduction* of the musical composition "writing." The proponents repeatedly responded that the "Writing" was the musical composition and "that authors shall have exclusive rights to the benefits of their writings, the usufruct of the property they have created, and that means practically a monopoly control over all copies or reproductions from such writings, whether the copies are in handwriting, printing, or any other form." *Id.* at 254 (statement of Richard R. Bowker). As Nathan Burkan said, "the debate was not about the object of protection — the musical composition — but the ways it could be protected, i.e. that the word "Writings" not only limits the objects of protection but the kinds of protection or "exclusive rights" that might be offered." *Id.* at 337-38. Obviously, the "arguments" were ultimately resolved in favor of the conclusion that "Writings" did not constrain "exclusive rights," but not until after *White-Smith Music Publishing Co. v. Apollo Co.*, 209 U.S. 1 (1908).

reargument on the question of whether a sculpture really could be a Constitutional "writing."[93]

Moreover, the few times the Supreme Court arguably took up the meaning of Writings, it has been focused on the issue of originality, deriving the originality requirement from "Writings" combined with "Authors." Next to nothing has been said on fixation, anything said has certainly been dicta, and scholars have generally recognized that the issue remains up for grabs.[94]

So, today our copyright law has a highly contingent concept of Writings that, in the words of Judge Rea in the *KISS* I decision "protects a wide variety of expression far beyond the everyday understanding of 'writing.'"[95] We might add, as the Nimmer treatise reasons, "[i]f the word 'writings' is to be given any meaning whatsoever, it must, at the very least,

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93 347 U.S. 201, 220-21 (1954) (Douglas, J., dissenting) ("The power is thus circumscribed: it allows a monopoly to be granted only to 'authors' for their 'writings.' Is a sculptor an 'author' and is his statue a 'writing' within the meaning of the Constitution? We have never decided the question. . . . The Copyright Office has supplied us with a long list of such articles, which have been copyrighted — statuettes, book ends, clocks, lamps, door knockers, candlesticks, inkstands, chandeliers, piggy banks, sundials, salt and pepper shakers, fish bowls, casseroles, and ash trays. Perhaps these are all 'writings' in the constitutional sense. But to me, at least, they are not obviously so. It is time that we came to the problem full face. I would accordingly put the case down for reargument.").

94 Jaszi, *supra* note 68, at 604 (observing that "the constitutional writings requirement appears to be concerned with assuring the efficient administration of a copyright system or, perhaps more straightforwardly, to reflect the structure of a historically publication-based system of copyright"); Heald and Sherry, *supra* note 25, at 1192 n.515 (one "question is whether an unfixed musical performance should be considered a 'writing,' but we see nothing in the history or structure of the Clause to limit Congress's authority to define writings' broadly to include many different types of creations."); Fordham *United States v. Martignon* Panel, *supra* note 4, at 1258-59 (remarks of Jane C. Ginsburg) (suggesting that although tangibility has been a traditional attribute of copyright protection, that does not mean that it is constitutionally required); Oliar, *supra* note 4, at 490 (Supreme Court decisions "may suggest that fixation is not a constitutional requirement"); McGinty, *supra* note 18, at 348 (positing that fixation "is not a fundamental limit on Copyright Power").

95 KISS Catalog v. Passport Int'l Prods., 350 F. Supp. 2d 823, 831 (C.D. Cal. 2004). Or, as the court said in *United States v. Moghadam*, "the term 'Writings' has been interpreted so broadly as to include much more than writings in the literal sense, or the lay definition of the word." 175 F.3d 1269, 1274 (11th Cir. 1999).

denote some material form, capable of identification and having a more or less permanent endurance."[96]

Whichever of these formulations you start with — the description of "Writings" from *Burrow-Giles*, the Nimmer treatise, or Judge Rea — it does *not* follow that the "Writing" requirement means *only something fixed by or under authority of the author*. It does not mean that the power to "secur[e] for limited times to Authors . . . the exclusive right to their . . . writings" means only a power to "secur[e] for limited times to [an] Author. . . the exclusive right to *the writings the Author has fixed herself*."

The mistake comes from (consciously or unconsciously) reading a *statutory* provision into a *common parlance* word that we are using to fill out a *Constitutional* provision.[97] In other words, a "form of expression having a more or less permanent endurance" (Nimmer's phrase for "writing") sounds like a "fixed" form of expression — as we would use "fixed" *in the everyday sense*. But from there too many people confusingly import the statutory definition of "fixed" into the Constitutional requirement of "Writing."[98] There is no need or reason to do that.

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[96] 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.08[C][2] (2014).

[97] William Patry, the Hill staffer who drafted the anti-bootlegging provisions, has reported that this is/was his own view:

> I can see how it is easy to look at it and say, 'Wait a minute. What he or anybody else was doing was distributing a fixed copy of a live performance, which, once fixed, people would believe is original work of authorship.' I think that is the argument.
>
> My response to that is, okay, that is true, but the subject matter that we were concerned with was the live, unfixed performance; the fixation of it is the copy, it is not the work, in copyright parlance — which I am reluctant to fall into the trap of — because people will say, 'See? You're talking about it like it's a copyright statute. You really think it is.' But it is a distinction between the material object and the particular immaterial subject matter that we are dealing with there.
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> I also think that there is an authorization issue. I think, to be fixed, it has to be fixed with the authority, understanding that other countries don't do that, that Berne doesn't require it. If you believe that fixations can be unauthorized, I think you would have to preempt state laws, because states can protect unfixed oral works right now.

Fordham *United States v. Martignon* Panel, *supra* note 4, at 1236 (remarks of William Patry).

[98] For examples of this, see Maynor, *supra* note 69 at 193 ("Though the concept of *a* 'Writing' has been expanded to include *a* sound recording in response to technological advances, the fixation requirement remains intact"); Cristina Lapin, *The Constitutionality of Anti-Bootlegging Legislation*, CHRISTINA M. LIPAN, ESQ. (Dec. 17, 2009), http://cristinalipan.com/articles/anti-bootlegging (discussing *Martignon*, "[a]lthough recordings of live musical performances are considered 'Writings,' performances that have not

The statutory concept of fixation comes from the Copyright Act's section 101 definitions:

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

But this statutory requirement that the fixation be "by or under the authority of the author" is just that: a statutory requirement. The requirement of fixation "by or under the authority of the author" was *not* in the 1790 Copyright Act, not in the 1831 Copyright Act, and not in the 1909 Copyright Act. It was added in 1976, when federal copyright protection was extended backwards from the time of publication to the time of fixation. The 1909 Act had envisioned that federal protection was provided when copies with proper notice were "published or offered for sale in the United States by authority of the copyright proprietor"; when the demarcation of federal protection was pushed back to fixation, it appears that the "authority" was also pushed back from publication to fixation.

In short, as the First Circuit said pre-1976, it is "sensible to say that the [Copyright] Clause extends to any concrete, describable manifestation of intellectual creation"[99] without need for additional conditions or caveats.[100]

It has to be emphasized that the Supreme Court has never limited "Writings" with a requirement of *authorized fixation*. The only modern occasion on which the Supreme Court opined on the meaning of "Writings" was the 1973 *Goldstein v. California* decision in which Chief Justice Burger wrote that the word "may be interpreted to include any physical rendering of the fruits of creative intellectual or aesthetic labor"[101] without saying that the physical rendering must be by the author, under the author's authority, or with the author's consent. The Court also told us

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been recorded, except by the bootlegging, are not, since they are not 'fixed.'").

99 Columbia Broad. Sys. v. DeCosta, 377 F.2d 315, 320 (1st Cir. 1967).

100 Jane Ginsburg has *suggested* this analysis too, without committing to it. Fordham *United States v. Martignon* Panel, *supra* note 4, at 1259 (remarks of Jane C. Ginsburg) ("Can the United States constitutionally adopt a solution such as that applied in the U.K. 1988 Copyright Act, which requires fixation, but includes within the concept of fixation a work that is being fixed without authorization? . . . Once the work is rendered tangible, whether or not with authorization, it comes within the scope of the U.K. Copyright Act . . . Section 1101 in effect adopts the U.K. approach, at least with respect to the creation of copies. Thus, even if the Constitution required fixation, § 1101 would still be constitutionally permissible, so long as the Constitution did not also require that the fixation occur with permission.").

101 412 U.S. 546, 561 (1973).

that: "Writings" should be "construed . . . with the reach necessary to reflect the broad scope of constitutional principles";[102] indeed, the final word in *Goldstein* on this matter was simply that "recordings of artistic performances may be within the reach of Clause 8" without any conditions as to how the recording happens.[103]

The Copyright Clause grant is to "Authors" in relation to "their . . . Writings" — and we should interpret the words as saying no more and no less. Imagine you were handed a bootleg recording — let's say Alice made an unauthorized recording at a concert. And you are now asked to answer the question *whose is it?* If the "it" in the question refers to the physical medium, let's grant that you would say "Alice's." But if you think that the "it" in the question refers to the "work" or the "recording" I am pretty certain that you would say "it's a Grateful Dead recording" or "it's Arcade Fire" or "it's the LA Phil at the Hollywood Bowl." In other words, in common parlance, we still describe the thing as *their* work or *their* performance — suggesting that once the thing is fixed, there is no real reason not to treat it as *their* Writing. If the words on paper exist and if we identify the author as Mr. Smith, isn't it Mr. Smith's Writing? And isn't the constitutional charge to protect "their . . . Writings"? For constitutional analysis, it does not matter who fixed it, as long as the fixation exists and we can *identify it as belonging to some author* in the sense that the Copyright Clause uses "*their* Writings."

This common sense analysis also comports with how we treat inventorship and how we approach questions of authorship in much of the case law.

2. *Parallel Notions of Attribution of Inventorship*

The complete Copyright and Patent Clause has a symmetry favored in late eighteenth century prose: Congress can protect Authors in "their . . . Writings" and Inventors in "their . . . Discoveries." The parallels are imprecise, but there is nothing in current patent law that would be a meaningful counterpart to a requirement that authors *must* themselves fix or authorize the fixation of "their Writings" in order for the thing to be pro-

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102 *Id.*

103 *Id.* at 562. To his credit, in *KISS I*, Judge Rea was willing to entertain this reasoning, although he ultimately concluded that he would "not attempt to reach a conclusion on this question." KISS Catalog v. Passport Int'l Prods. 350 F. Supp. 2d 823, 832 (C.D. Cal. 2004) ("Plaintiffs have brought a claim under § 1101(a)(3) which prohibits the unauthorized distribution of an unauthorized recording of a live performance. Since the allegedly unauthorized recording has already been made, that existing recording may satisfy the fixation requirement. . . . [T]his Court will not attempt to reach a conclusion on this question.").

tected constitutionally. Instead, patent law shows a concern to establish the true inventor of the innovation, just as I am advocating that the only proper query with copyright law should be whether we can identify the true author.

At first blush, statutory patent law seems to dovetail with copyright law with 35 U.S.C. § 111 providing that "[a]n application for patent shall be made, or authorized to be made, by the inventor," but this requirement is immediately conditioned by "except as otherwise provided in this title" and patent case law is rife with disputes about inventorship questions. Inventorship questions typically arise when a defendant argues that the patent does not name the true inventor(s) of the invention (either failing to name someone or naming someone who should not be named),[104] including claims that the invention was actually achieved at an earlier date by others.

To determine when there was first an "invention" — that is, a constitutional "Discovery" and an identifiable "Inventor" — courts require "conception" of the invention, understood to be "the formation in the mind of the inventor of a definite and permanent idea of the complete and operative invention."[105] Conception occurs when the idea is so detailed that were a PHOSITA[106] able to peer into the mind of the inventor the PHOSITA would be able to reduce the idea to practice with little or no experimentation.[107] Because conception is a mental act, courts require that claims of conception be supported by *some* form of corroborating evidence[108] that demonstrate the inventor's then ability to describe the invention "with particularity." This corroborating evidence typically takes the form of contemporaneous or near-contemporaneous disclosure to others, but the form and timing of the disclosure is flexible.[109] Indeed, the

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104 Either in circumstances where the defendant can claim some sort of license from the putative additional inventors or the failure to properly designate the inventors rose to the level of invalidating fraud on the patent office.

105 Hybritech, Inc. v. Monoclonal Antibodies, Inc., 802 F.2d 1367, 1376 (Fed. Cir. 1986). The Federal Circuit's predecessor had said "[i]t is therefore the formation, in the mind of the inventor of *a definite and permanent idea of the complete and operative invention, as it is thereafter to be applied in practice,* that constitutes an available conception, within the patent law." Gunter v. Stream, 573 F.2d 77, 80, 197 (C.C.P.A. 1978) (emphasis added).

106 "Person having ordinary skill in the art," the reasonable person construct used in patent law to determine whether something is obvious.

107 Burroughs Wellcome Co. v. Barr Labs., Inc., 40 F.3d 1223, 1228 (Fed. Cir. 1994) ("Conception is complete only when the idea is so clearly defined in the inventor's mind that only ordinary skill would be necessary to reduce the invention to practice, without extensive research or experimentation.").

108 Coleman v. Dines, 754 F.2d 353, 359 (Fed. Cir. 1985).

109 *See, e.g., Hybritech, Inc.*, 802 F.2d at 1376 (laboratory notebooks and internal documents were corroborating despite being "the sometimes sparsely docu-

true inventor may convey the invention to another person without there yet being a successful reduction to practice[110] (which could be considered a sort of analog to "fixation").

None of this patent law doctrine has anything approaching the statutory requirement of fixation by the author or with the author's authority. Instead, patent law has a relatively open-ended inquiry into if and when there was an invention ("Discovery") and to whom it pertains as the "inventor," with conception establishing that "inventor."

Prior to its amendment by the America Invents Act in 2011, 35 U.S.C. § 102 provided that "[a] person shall be entitled to a patent unless . . . (f) he did not himself invent the subject matter sought to be patented." Subsection f's "derivation" principle[111] would bar issuance of a patent to an applicant where it was shown that the applicant "derived" the entire invention from the true inventor, but did "not bar the issuance of a patent to the party from which the subject matter was derived."[112] In other words, the true inventor could succeed in getting a patent *even after someone filed an application without the true inventor's authority or knowledge.* In the same vein, 35 U.S.C. § 256 expressly provides that a patent application filed in the name of the wrong inventors does *not* automatically invalidate the patent.[113] Both the patent office and the courts have the authority to

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mented work of a start-up company"); *Burroughs Wellcome Co.*, 40 F.3d at 1231-32 (draft British patent application was corroborating evidence for conception of various patent claims, even where it might not have expressly shown possession of one of the inventions); *Gunter*, 573 F.2d at 80 (where inventor made an oral report to boss, who subsequently prepared a memorandum, memorandum was corroborating evidence).

110 *See, e.g.*, Applegate v. Scherer, 332 F.2d 571, 573-74 (C.C.P.A. 1964) ("Appellants seem to propose that there cannot be a conception of an invention of the type here involved in the absence of knowledge that the invention will work. Such knowledge, necessarily, can rest only on an actual reduction to practice. To adopt this proposition would mean, as a practical matter, that one could never communicate an invention thought up by him to another who is to try it out, for, when the tester succeeds, the one who does no more than exercise ordinary skill would be rewarded and the innovator would not be. Such cannot be the law. A contrary intent is implicit in the statutes and in a multitude of precedents.").

111 *Ex parte* Kusko, 215 U.S.P.Q. 972, 974 (Bd. App. 1981) ("[M]ost, if not all, determinations under section 102(f) involve the question of whether one party derived an invention from another."). My thanks to Rob Merges for making this point.

112 UNITED STATES PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURES sec. 2137 (Pre-AIA 35 U.S.C. § 102(f)) (9th ed. 2014)), *available at* http://www.uspto.gov/web/offices/pac/mpep.

113 35 U.S.C. § 256(b) (2012) ("The error of omitting inventors or naming persons who are not inventors shall not invalidate the patent in which such error occurred if it can be corrected as provided in this section.").

order corrections of listed inventors,[114] again, meaning that a person could have patent rights where she previously neither had knowledge of nor gave authority to the filing of the patent.[115]

The parallels to an unknown and unauthorized fixation of an author's original expression are clear: no one has questioned the constitutionality of patent law allowing the true inventor to enjoy exclusive rights over the invention (or "Discovery" in constitutional terms) even when someone else recorded the invention and attempted to profit thereby. Similarly, there should be no constitutional difficulty in allowing the true author or artist to enjoy the exclusive rights over a recording, even when someone made it without the author/artist's knowledge or consent. The bootleg is a "Writing" that belongs to the true creator just as a patent filed by someone besides the inventor is still a "Discovery" that belongs to the true inventor.

Indeed, compared to patent law's open-ended inquiry as to the true inventors, copyright law's statutory requirement that a work must be fixed "by or under the authority of the author," looks almost like a formality. Nothing in the structure of the Copyright and Patent Clause indicates that these "kindred" fields[116] should have such disparate treatment. Constitu-

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114 Technically, in either case, the correction is issued by the Director of the USPTO. Subsection (a) of § 256 provides that: "the Director may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate correcting such error" while subsection (b) provides: "The court before which such matter is called in question may order correction of the patent . . . and the Director shall issue a certificate accordingly."

115 While most disputes involve the addition or deletion of co-inventors — and should not be taken to prove too much, see, e.g., Rodgard Corp. v. Miner Enters., 12 U.S.P.Q.2d 1353 (W.D.N.Y. 1989) (seeking declaration that individual not named in patent was co-inventor) — it is possible that the named inventor(s) could be "knocked off" a patent and replaced by the true inventor(s). For example, in *Caterpillar, Inc. v. Sturman Industries, Inc.*, 387 F.3d 1358 (Fed. Cir. 2004), Caterpillar had apparently obtained a patent (the '901 patent) on an invention without the knowledge of Oded Sturman, the principal investigator for the invention, who had been an independent contractor working with Caterpillar. Caterpillar listed two of its own people who had participated in the research as the inventors. *Id.* at 1364. After evidence as to inventorship from both sides, the district court "named Sturman as the sole inventor of the '901 patent." *Id.* at 1365. The Court of Appeals reversed this conclusion, holding that Sturman and the two Caterpillar researchers were co-inventors, but the appellate court did not question that Sturman could, under proper facts, be adjudicated the sole inventor and owner of the '901 patent. *Passim.*

116 Sony Corp. of Am. v. Universal City Studios, 464 U.S. 417, 436 (1984) (noting "the historic kinship" between patent law and copyright law).

tionally, a "Writing" should pertain to a particular "Author" on the same terms that a "Discovery" or invention pertains to a particular "Inventor."

3. *Any "Authorizing" Requirement for a Constitutional "Writing" Would Be Vague*

Not only is the *fixation-authorized-by-the-author* requirement not part of the constitutional concept of a Writing, it is also a vague standard for determining when someone can have the exclusive rights permitted by the Constitution. We simply do not have much case law on what constitutes such "authorizing"[117] — perhaps because in the vast majority of circumstances, one *cannot* fix the expression without the author's cooperation.

With a surfeit of case law to guide us, does the author simply *knowing* about the fixation and not *objecting* constitute "authorizing"? If "authorizing" includes this sort of consent, can knowledge and resignation to the fact constitute consent? If it does, when a band performs in front of 20,000 people, most of whom have smart phones, is the band "authorizing"?

However we resolve these questions, we can probably agree that we already have a situation where many bands are technically the copyright owners of *at least some of* the bootlegs that are circulating. In addition to the Grateful Dead, bands that appear to have authorized some or all fan recording at their concerts include the Allman Brothers Band, Cheap Trick, the Dave Matthews Band, Mötley Crüe, Pearl Jam, and Phish.[118]

Imagine that band and venue agree to the following signs prominently posted at all entry doors to the concert hall:

> We ask you to please not record our performance tonight. We hope you will respect us enough to honor that request. Despite that, we know that some of you are real jerks and will bootleg the concert anyway. When you do, you are doing that with our consent, we consider the recording to be the band's music, and we and our lawyers will treat it as such.

For those who believe fixation by or authorized by the author should be part of the constitutional requirements would such postings be sufficient to turn the bootleg into a Constitutional "Writing"?

Instead of requiring a Constitutional requirement of fixation *by or authorized by the author* we might take some inspiration from one of the most widely cited cases about common law copyright, the 1968 decision from New York's highest court in *Hemingway's Estate v. Random*

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117 *See, e.g.*, Law Professors' *Martignon* Brief, *supra* note 10, at 28 n.25 ("The statute's vagueness is exacerbated by the fact that core terms such as 'authorization' are undefined.").

118 Jeri Rowe, *Messengers of Music*, NEWS & RECORD (Piedmont, N.C.), Nov. 16, 1997, at D1 (describing how each of these bands have permitted recording at concerts).

House.[119] The *Hemingway's Estate* court considered that it had been called upon to decide "whether conversations of a gifted and highly regarded writer may become the subject of, common law copyright, even though the speaker, himself has not reduced his words to writing."[120]

The court ultimately decided that it did not have to rule on whether Hemingway's oral comments enjoyed common law copyright since Hemingway had long-standing knowledge and apparently approved of the defendant's practice of quoting him.[121] But the New York court then gave an analysis that is worth reflection when considering anti-bootleg statutes:

> Assuming, without deciding, that in a proper case a common-law copyright in certain limited kinds of spoken dialogue might be recognized, it would, at the very least, be required that the speaker indicate that he intended to mark off the utterance in question from the ordinary stream of speech, that he meant to adopt it as a unique statement and that he wished to exercise control over its publication. In the conventional common-law copyright situation, this indication is afforded by the creation of the manuscript itself. It would have to be evidenced in some other way if protection were ever to be accorded to some forms of conversational dialogue.[122]

We might call this a "demarcation" principle or requirement: that the protection against unauthorized fixation applies when a performer "marks off" a performance from the ordinary course of events. When a band performs in a discrete concert and advises concertgoers that recording of the concert is forbidden, the musicians have certainly indicated that they intend to mark off the performance from the ordinary stream of speech, that they intend to adopt the performance as a statement of their own, and that they wish to exercise control over its publication.[123]

In the classic writer paradigm — whether pen/paper or computer — "this indication is afforded by the creation of the manuscript itself." In the case of performers, the performance can be demarcated as a work or work-in-progress, either by declaration or circumstance (a concert at a performance venue, a studio where a ballet is being practiced, a workshop where a dramatic scene is being rehearsed before a play opens). The key

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119 244 N.E. 2d 250 (N.Y. 1968).

120 *Id.* at 253. The court also considered that it was addressing "the question whether [common law copyright] extends to conversational speech." *Id.* at 254.

121 *Id.* at 256 (concluding that "authority to publish must be implied, thus negativing the reservation of any common-law copyright.").

122 *Id.*

123 Sinatra v. Wilson, 76 Civ. 2023, 1977 U.S. Dist LEXIS 18142, at *5 (S.D.N.Y. Feb. 24, 1977) (concluding that plaintiff had properly alleged common law copyright because it had alleged that "at the time some of [the] alleged statements were made, plaintiff indicated he wished to exercise control over their publication").

idea is that however the fixation comes into existence, once there is such a fixation and we can clearly identify it with particular authors/performers, the issue should be only whether it is an original expression that the author/performer meant to adopt as his/her expression, an expression over which he/she would wish to exercise authorial control.

C. *The Provisions Regarding Fixed Bootlegs Should Reflect Copyright Law*

The conclusion that bootleg recordings are "Writings" means that the provisions protecting these fixations in perpetuity — particularly the civil provisions that effectively confer exclusive rights on the performer(s) — are infirm against the "Limited Times" requirement of the Copyright Clause.[124] This is a widely shared conclusion.[125] The only difference here is the analysis that these supplemental prohibitions unquestionably protect "Writings" that fall under the Copyright Clause,[126] so the issue is *not* whether the object of protection falls into some "negative zone" of what cannot be protected because of the dormant Copyright Clause. There can-

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124 Eldred v. Ashcroft, 537 U.S. 186, 210 n.16 (2003) (the Constitution "clearly precludes Congress from granting unlimited protection for copyrighted works") (internal citations omitted); Dastar v. Twentieth Century Fox Film Corp., 539 U.S. 23, 37 (2003) (Congress may not "create a species of perpetual . . . copyright").

125 Fordham *United States v. Martignon* Panel, *supra* note 4, at 1234 (remarks of William Patry) (characterizing the perpetual protection in the statute as "a huge mistake" and "a terrible policy judgment"); *id.* at 1273 (characterizing the perpetual protection as "indefensible"); Ginsburg, *id.* at 1263 ("Congress is providing copyright-like protection — the rights to make and distribute copies, and to transmit are all exclusive rights (i.e., property rights) afforded copyrighted works under § 106 of the Copyright Act. Section 1101 thus looks like a simple change of haberdashery; the head (the exclusive rights) being the covered remains the same. The claim that Copyright Clause limitations should carry over to Commerce Clause enactments thus is persuasive."); Jaszi, *supra* note 68, at 605 (suggesting that the limited times requirement is fundamental and cannot be circumvented through the Commerce Clause); Heald & Sherry, *supra* note 25, at 1192-93 (arguing that the anti-bootlegging provisions violate the limited times requirement by preventing the performance from ever entering the public domain); McGinty, *supra* note 94, at 351.

126 And, again, this was the conclusion reached by the Law Professors Brief in *Martignon*. Law Professors' *Martignon* Brief, *supra* note 10, at 4 ("These provisions, because they grant exclusive rights in Writings, are properly categorized not as "copyright-like" but as copyright laws, and thus cannot escape the limitations required by the Copyright Clause. Since the rights conferred by §§ (a)(1) and (a)(3) are perpetual, they cannot be sustained without disregarding the plain language of the Constitution.").

not be exclusive perpetual rights in the unauthorized fixed bootlegs because they *are* "Writings."

The conclusion that the unauthorized fixations constitute "Writings" belonging to the performers also means that we should ensure that limitations and exceptions in copyright law apply to the exclusive rights created in the anti-bootleg provisions, especially those exceptions and limitations that the Supreme Court has identified as essential for the fit between the Copyright Clause and the First Amendment. These concerns have been raised by a number of commentators, including David Nimmer and William Patry.[127] Part V provides some proposals to do that.

IV. THE TRUE ANTI-BOOTLEGGING PROVISIONS ARE NECESSARY AND PROPER

How can the argument in Part III jibe with the fact that: "[a]ll parties, and all authorities cited, agree that Congress does not have the authority to legislate concerning live performances under the Copyright Clause"?[128] Those parties and authorities are correct concerning the first part of 17 U.S.C. § 1101(a) and 18 U.S.C. § 2319A(a)(1).

In other words, the part of the civil statute that falls outside the Copyright Clause is the following provision in § 1101(a):

> (a) . . . Anyone who, without the consent of the performer or performers involved—
>
> (1) fixes the sounds or sounds and images of a live musical performance in a copy or phonorecord, . . . [or]
>
> (2) transmits or otherwise communicates to the public the sounds or sounds and images of a live musical performance, ...
>
> shall be subject to the remedies provided in sections 502 through 505, to the same extent as an infringer of copyright.

Of these two elements, "(1)" falls unequivocably outside the Copyright Clause because it establishes an exclusive right of fixation which operates *before* there can be a "Writing."

The second provision — concerning "anyone who . . . transmits . . . the sound or sounds and images of a live musical performance" — is ambiguous. It could refer to simultaneous transmission from *the event* OR it could refer to transmission from a bootleg recording that captured the sound or sound and images of the concert. It's obvious from Part III above that I believe that transmission from a bootleg recording is just un-

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127 David Nimmer, *The End of Copyright*, 48 VAND. L. REV. 1385, 1400 (1995); *see also* Law Professors' *Martignon* Brief, *supra* note 10, at 23-27 (anti-bootleg provisions lack First Amendment safeguards that Court has recognized for copyright law).

128 KISS Catalog, Ltd. v. Passport Int'l Prods., 405 F. Supp. 2d 1169, 1174 (C.D. Cal. 2005).

authorized public performance and should fall squarely within the Copyright Clause. On the other hand, transmission from the live performance not being simultaneously fixed would also clearly fall outside the Copyright Clause.

So the problem is finding a proper constitutional foundation for the true anti-bootlegging element ("fix[ing] the sound or sound and images of a live musical performance") and unauthorized transmission from the performance. While this is a much narrower set of prohibitions that needs grounding outside the Copyright Clause, the problem is still the same: to find such a constitutional grounding that is not somehow forbidden by any "negative zone" that exists around the Copyright Clause.

Courts, counsel, and commentators struggling with this problem have poured almost all their energy into the Commerce Clause — with an occasional nod to the Treaty Power. But we need neither the Commerce Clause nor the Treaty Power to justify this federal law; it is justifiable as what is "necessary and proper" to carry out the objectives of the Copyright Clause (on grounds that have been widely recognized).

This argument has generally been overlooked.[129] For example, Jeanne Fromer is one of the few scholars to discuss the Necessary and Proper Clause in relation to intellectual property. Yet while she recognizes that the Necessary and Proper Clause can be used "to help execute the means and ends of the IP Clause,"[130] in her critique of the anti-bootleg provisions she does consider this approach. Again, this lacuna comes, I think, from seeing the anti-bootleg provisions as a unitary whole and failing to draw the distinction between the prohibitions directed at the time of performance and prohibitions directed at the unauthorized fixation. After a brief review of the Necessary and Proper Clause we will explore how it might apply to the anti-bootlegging provisions.

A. A Short Primer on the Necessary and Proper Clause

The final provision of Section 8 of Article I of the Constitution empowers Congress "[t]o make all Laws, which shall be necessary and proper for carrying into Execution the foregoing Powers." As initially proposed, this mop-up grant of power to Congress was limited to measures needed to enforce treaties, but that language was struck[131] and the clause is now

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129 *See, e.g.*, Jaszi, *supra* note 68, at 602 (observing that "the only apparent possibility" to justify the anti-bootleg provisions is "the Article I Commerce Clause").

130 Fromer, *supra* note 4, at 1384.

131 Louis Henkin, Foreign Affairs and the United States Constitution 204 & n.111 (2d ed. 1996) ("The 'necessary and proper' clause originally contained expressly the power 'to enforce treaties' but it was stricken as superfluous.").

interpreted as applying to all of Congress' Article I powers.[132] Since one of the "foregoing Powers" is the Copyright Clause, there is no question that Congress can legislate laws that are "necessary and proper" for the establishment of a nationwide copyright law.

In the earliest days of the Republic, the Necessary and Proper Clause was hotly debated, but it was not until 1819 that the Supreme Court addressed its meaning and scope in *McCulloch v. Maryland*.[133] In *McCulloch* the Court held that the federal government had the power to establish banks as "necessary and proper" to its other enumerated powers. The Court rejected construing "necessary" as *absolutely* necessary,[134] instead finding that it had a broad meaning that might include that which is convenient, useful, or "conducive" to the "beneficial exercise" of any one of the enumerated powers.[135] In a now often-repeated formulation of whether some action by Congress is necessary and proper to carry out an enumerated power, Justice Marshall wrote:

> Let the end be legitimate, let it be within the scope of the constitution, and all means which are appropriate, which are plainly adapted to that end, which are not prohibited, but consistent with the letter and spirit of the constitution, are constitutional.[136]

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132 For example, in *United States v. Lue*, 134 F.3d. 79 (2d Cir. 1998), the Second Circuit panel "note[d] that Congress's authority under the Necessary and Proper Clause extends beyond those powers specifically enumerated in Article I, Section 8." *Id.* at 82. (*Lue* was, however, a case involving implementation of a treaty.)

133 McCulloch v. Maryland, 17 U.S. (4 Wheat.) 316 (1819).

134 Justice Marshall contrasted the "necessary and proper" language with Article I, section 10, which constrains any state from "lay[ing] any Imposts or Duties on Imports or Exports, except what may be *absolutely* necessary for executing its inspection Laws." *Id.* at 414-15.

135 *Id.* at 413-14 ("Is it true that this is the sense in which the word 'necessary' is always used? Does it always import an absolute physical necessity so strong that one thing to which another may be termed necessary cannot exist without that other? We think it does not. If reference be had to its use in the common affairs of the world or in approved authors, we find that it frequently imports no more than that one thing is convenient, or useful, or essential to another. To employ the means necessary to an end is generally understood as employing any means calculated to produce the end, and not as being confined to those single means without which the end would be entirely unattainable."). *Id.* at 417 (necessary and proper includes "means for carrying into execution all sovereign powers, and may be used, although not indispensably necessary. It is a right incidental to the power, and conducive to its beneficial exercise.").

136 *Id.* at 421.

Of course, the beauty of this formula is the many decision points it provides — from what is "legitimate" to what is "consistent with . . . the spirit of the constitution."[137]

The Supreme Court's 2010 *United States v. Comstock* case[138] provides a sweeping review of Necessary and Proper jurisprudence — with a five-member majority opinion, separate concurrences by Justices Alito and Kennedy, and a dissent from Justice Thomas joined by Justice Scalia. While the many opinions offer something for everyone, it is hard to find in them any bar to Congress grounding the anti-bootlegging provisions proper — that is, the 'right of fixation' provisions — on what is necessary and proper for effective execution of a copyright system.

At issue in *Comstock* was a federal civil-commitment statute that allows the Department of Justice to detain mentally ill, sexually-dangerous federal prisoners beyond their sentences (sentences stemming from conviction under other federal laws). Mr. Comstock's argument that Congress' authority "can be no more than one step removed from a specifically enumerated power" was dismissed by six members of the Court as "irreconcilable with our precedents,"[139] with the majority quoting the following passage from Chief Justice Marshall's opinion in *McCulloch*:

> [T]he power "to establish post offices and post roads" . . . is executed by the single act of making the establishment. . . . [F]rom this has been inferred the power and duty of carrying the mail along the post road, from one post office to another. And, from this implied power, has again been inferred the right to punish those who steal letters from the post office, or rob the mail.[140]

Upholding this statute as necessary and proper, the majority announced a test in which we "look to see whether the statute constitutes a means that is rationally related to the implementation of a constitutionally enumerated power."[141] This rationally-related test had already been used in the Court's necessary and proper analysis in the 2004 *United States*

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137 *Id.*

138 560 U.S. 126 (2010).

139 *Id.* at 146. Justice Kennedy expressly endorsed the majority on this point. *Id.* at 150 (Kennedy, concurring) ("When the inquiry is whether a federal law has sufficient links to an enumerated power to be within the scope of federal authority, the analysis depends not on the number of links in the congressional-power chain but on the strength of the chain.").

140 16 U.S. at 417 (emphasis added).

141 *Comstock*, 560 U.S. at 134.

v. Sabri case[142] and seems to command five to six votes on the Court.[143]

The *Comstock* majority gave examples of acceptable multiple "steps" analyses in what can be Necessary and Proper:

> [a] that based on the enumerated power to "To raise and support Armies" it is necessary and proper to award pensions to wounded and disabled soldiers and, further, necessary and proper to establish laws to punish fraudulent appropriation of such pensions,[144]
>
> [b] that based on the Spending Clause, it is necessary and proper to ensure that taxpayer dollars are not "siphoned off" by "corrupt public officers" and, further, also to criminalize bribes and kickbacks, even when the monies used are not "traceably skimmed from specific federal payments."[145]

Similarly, in its 2005 *Gonzalez v. Raich* decision,[146] the Court confronted an argument from marijuana growers who claimed that their activities were strictly intra-state and therefore could not be regulated by Congress on that grounds. The Court held that Congress' actions were well within its authority under the Necessary and Proper Clause because marijuana is a fungible commodity and any "attempt to regulate the interstate market for marijuana would therefore have been substantially undercut if it [Congress] could not also regulate intrastate possession and

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142 541 U.S. 600 (2004). The *Sabri* majority also announced a *"has nothing to do with" an enumerated power* standard that I will assume is too broad to be used going forward. *Id.* at 608 ("The power to keep a watchful eye on expenditures . . . is bound up with congressional authority to spend in the first place, and Sabri would be hard pressed to claim, in the words of the *Lopez* Court, that [the section] 'has nothing to do with' the congressional spending power.").

143 In *Sabri*, Justice Kennedy filed a concurrence expressing his doubts about the "rational means" test as a proper way to interpret *McCulloch*. *Id.* at 610 (Kennedy, J., concurring). By *Comstock*, he had become more uncomfortable with this approach, expressly disagreeing that the "appropriateness" standard from *McCulloch* is properly filled out with a "rationally related" or "rational basis" test. *Comstock*, 560 U.S. at 151 (Kennedy, J., concurring). In *Comstock*, Justice Alito did not expressly disagree with the rational basis test, but expressed concern about "the ambiguity of the standard." 560 U.S. at 155 (Alito, J., concurring).

144 560 U.S. at 147 (citing United States v. Hall, 98 U.S. 343 (1879)) (pensions to disabled soldiers are necessary and proper, as are laws to punish anyone who fraudulently appropriates such pensions).

145 Sabri v. United States, 541 U.S. 600, 605 (2004) (in execution of the Spending Clause it is necessary and proper to have laws addressing corrupt public officers, bribes, and kickbacks).

146 545 U.S. 1 (2005).

consumption."[147] We may be able to draw some parallels to these examples.

In their *Comstock* dissent, Justices Thomas and Scalia imply that they would endorse something closer to a "one step" approach, believing that the Necessary and Proper Clause "plainly requires a showing that every federal statute 'carr[ies] into Execution' one or more of the Federal Government's enumerated powers.[148] But for Thomas and Scalia, the power to punish theft of the mails is *directly linked* to the enumerated power "to establish post office and post roads" because the enumerated power "would lack force or practical effect if Congress lacked the authority" to criminalize mail theft.[149] In other words, "relatedness", "links," "steps." or distance from an enumerated power can all be malleable notions in a Necessary and Proper analysis.

B. The True Anti-Bootlegging Provisions Are Necessary and Proper

On the rare occasion when the Necessary and Proper Clause has been applied to copyright matters, it has not been in fact patterns that would offer much insight on the anti-bootleg provisions. In the *Eldred* litigation, the majority of the D.C. Circuit opined (in response to an argument by the dissent) that even if the copyright term extension was not permitted under the Copyright and Patent Clause itself, the majority was prepared to hold that the extension was: "a 'necessary and proper' measure to meet contemporary circumstances rather than a step on the way to making copyrights perpetual."[150] In a 1985 decision, the Ninth Circuit concluded that the copyright registration requirement of depositing a copy with the Li-

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147 This is Justice Roberts' description of *Gonzalez* in *National Federation of Independent Businesses v. Sebelius*, 132 S. Ct. 2566, 2592 (2012).

148 560 U.S. at 168 (Thomas, J., dissenting).

149 *Id.* at 169 (Thomas, J., dissenting). Even Justice Scalia, the member of the Court most wary of federal government powers, has announced Necessary and Proper tests that would seem friendly to the anti-bootlegging provisions. Writing for the Court in *Jinks*, he stated that a statute is authorized by the N&P Clause when it "provides an alternative to [otherwise] unsatisfactory options" that are "obviously inefficient." Jinks v. Richland Cnty., 538 U.S. 456, 462-63 (2003). It is as "obviously inefficient" to leave such anti-bootlegging provisions to state law at least in the same way that it was considered inefficient by the Framers to leave copyright law to state law. (Obviously, I speak only of the Framers' assumptions and what could be argued to follow reasonably there from, not any real efficiency calculus.)

150 Eldred v. Reno, 239 F.3d 372, 379 (D.C. Cir 2001). I write "prepared to hold" because in the majority's initial reply to the dissent they wrote "If called upon to do so, therefore, we might well hold that the application of the CTEA to subsisting copyrights is 'plainly adapted' and 'appropriate' to 'promot[ing] progress.'" *Id.* Later on the same page, the majority's formulation becomes more direct.

brary of Congress was "necessary and proper" to carry out the Copyright Clause.[151]

Applying the tests announced in *Sabri*, *Gonzalez*, and *Comstock* (including the dissent) I believe that the anti-bootlegging provisions proper are easily justified as necessary and proper to the establishment of an effective nationwide system of copyright for sound recordings and audiovisual works.

The anti-bootlegging provisions are a means of securing to performers their right to decide *when* fixations are *made* — and, therefore, when marketable "Writings" come into existence. The anti-bootlegging provisions deter the creation and dissemination of alternative versions of the performers' works, alternative versions that the performer may consider inferior. This is certainly "rationally related" to giving those same Authors exclusive rights in their "Writings." Anti-bootlegging provisions that give a class of authors the exclusive right to determine the time and place when their "Writings" come into existence also meet the Thomas/Scalia "direct link" test: the enumerated power to give performers exclusive rights in performances fixed with their authorization (and, therefore, protected by Title 17) "would lack force or practical effect" or would "be undercut" if the same performers could not control when and how *others* fixed their performances. The right of fixation is given to this class of authors because they will otherwise have unique difficulty preventing *others* from fixing, then marketing, their "Writings."

The relationship between the bootlegging prohibitions and protection of the copyright market should be self-evident, but the 1950 *Metropolitan Opera v. Wagner-Nichols* case[152] helps fill out the details of the argument. In *Metropolitan Opera*, a New York state court faced a bootlegging operation that recorded radio broadcasts of Metropolitan Opera performances and sold the subsequent recordings in competition with the opera's official releases through Columbia Records.[153] The court recognized that the bootleg recordings were of inferior quality and bore none of the perform-

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151 Ladd v. Law & Tech. Press, 762 F.2d 809, 812 (9th Cir. 1985). In reaching this conclusion, the *Ladd* court noted: "that the necessary and proper clause should be liberally construed. . . . Thus, a provision of the Copyright Act which sustains a national library for the public use is necessary and proper." *Id.* Of course, the *Ladd* court had a simple argument unavailable to an analysis of the bootleg provisions: some form of deposit requirement has been in the copyright law since 1790, strongly indicating that the Founders would have considered it constitutional.

152 Metro. Opera Ass'n v. Wagner-Nichols Recorder Corp., 101 N.Y.S.2d 483 (N.Y. Cnty. 1950).

153 *Id.* at 487.

ance costs.[154] The court's view of the defendants' activities was straightforward:

> Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business, precisely as the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not.[155]

The unauthorized recording of a concert can interfere with the normal operations of performers seeking to support themselves through copyright-enabled business models, whether (a) they plan to sell recordings of the concert that was bootlegged ["Live at the Bowl"], (b) they sell studios versions of the songs that were bootlegged, or (c) they have not yet finalized plans for a public release of any song that was bootlegged.[156] In all these scenarios the bootleg has the potential to dampen the income stream that copyright is intended to foster.[157]

The argument for the potential displacement effect of bootlegs grows stronger as the technology used in bootleg recordings improves. As early in the digital networked era as 2003, *WIRED* magazine noted that laptop recorders, portable DAT players, and pen-sized microphones had meant that the bootleg "trading communities ha[d] spread well beyond the Deadheads."[158] In a more sophisticated bootleg technique "wireless radio receivers . . . capture signals sent to the in-ear monitors musicians wear to hear one another onstage" so that "fans can record a pristine feed of the entire show from outside the venue."[159] In yet another, the bootleg is

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154 *Id.*

155 *Id.* at 490.

156 U.S. Government *Martignon* Brief, supra note 45, at 28 (arguing that "preventing bootleggers from offering for sale unauthorized recordings" as a necessary and proper element of a legal structure to safeguard the economic value in the authorized sound recordings.)

157 The economic effect of bootlegs has been substantial at least at times, although – as with some forms of copyright infringement generally – there are those who believe that the unauthorized consumption increases authorized consumption. *See generally* Paul Farhi, *Sting Clears Bootleg CDs from Shelves*, L.A. TIMES, July 16, 1997, at 6 (describing both estimates that bootleg "sales were easily in the millions of units last year" but also that "some people argue, 'boots' actually help them by keeping fan interest alive in the months or years between authorized releases"), http://articles.latimes.com/print/1997/jul/16/entertainment/ca-13012.

158 *Bootleggers, Roll Your DATs*, WIRED MAG., Apr. 2003, at 62.

159 *Id.*

made through a soundboard feed, often with the complicity of a sound engineer who is otherwise working for the performers.[160]

The *Moghadam* appellate opinion made similar points without connecting its observation to the Necessary and Proper Clause. Early on in its decision, the court characterized the anti-bootlegging provisions as addressing a "void" or "gap in copyright protection."[161] The court reasoned that "[e]xtending quasi-copyright protection to unfixed live musical performances . . . actually complements and is in harmony with the existing scheme that Congress has set up under the Copyright Clause." The difference between the analysis here and the Eleventh Circuit's views is that I believe it is only the "basic" prohibitions that apply at the time of the live performance that are "quasi-copyright" and need justification as necessary and proper.

If laws criminalizing fraudulent claims to veterans' pensions are necessary and proper to the enumerated power to "raise and support Armies," then laws criminalizing the unauthorized fixation of an Author's creative output would seem at least equally related to the enumerated power to give "Authors exclusive rights . . . in their Writings." If laws regulating intra-state activities related to marijuana are necessary and proper because marijuana is a fungible commodity in interstate commerce, then a law regulating the fixation of one type of "Writing," an audio or audiovisual recording, would seem at least equally related to the enumerated power to establish "exclusive rights" in those "Writings."

Such an application of the Necessary and Proper Clause also seems consistent with the one time in recent decades that the clause has been elicited to support a provision of copyright law. In his 2000 decision in *Universal City Studios, Inc. v. Reimerdes*,[162] Judge Kaplan concluded that the anti-circumvention provisions of the Digital Millennium Copyright Act (now 17 U.S.C. §§ 1201 et seq.) were "necessary and proper to prevent others from publishing protected writings for the duration of the copyright." Judge Kaplan pointed to the legislative history showing that the DMCA was intended to "facilitate[s] the robust development and worldwide expansion" of digital markets for copyrighted works by "mak[ing] digital networks safe places to disseminate and exploit copyrighted materials."[163] While operating differently, the anti-bootlegging provisions also are intended to protect the marketplace for copyrighted works.

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160 Todd D. Patterson, Comment, *The Uruguay Round's Anti-Bootlegging Provision: A Victory for Musical Artists and Record Companies*, 15 WIS. INT'L L.J. 371, 375 (1997).

161 United States v. Moghadam, 175 F.3d 1269, 1272 (11th Cir. 1999).

162 82 F. Supp. 2d 211 (S.D.N.Y. 2000).

163 *Id.* at 221 (citing S. REP. NO. 105-190 (1998)).

In this context, prohibition of the creation of bootlegs (the anti-bootlegging provisions proper) would seem to fall reasonably within the range of "necessary and proper" actions that Congress may undertake to safeguard the copyright system that the Constitution empowers it to establish.

Commentators and activists committed to opposing any expansion of intellectual property may recoil at this analysis. They can reasonably point out that a law only passes muster under the Necessary and Proper Clause if it is "not prohibited"[164] by any other part of the Constitution — and then argue that protection of "non-Writings" is definitely prohibited by the Copyright Clause. This argument just circles back to the idea that the anti-bootleg provisions are "protecting unfixed original creative works that are not Writings"[165] using that strange trope to return us to the classic dormant Copyright Clause argument that "because these [live] performances are not Writings Congress may not extend them protection."[166] But when the anti-bootleg provisions are understood as having two distinct sets of prohibitions, it becomes a mischaracterization to say that the provisions are "protecting unfixed original creative works" — the anti-bootlegging provisions *prohibit* unfixed original creative works from *becoming* Writings, but if those recordings *do* come into existence, then they are Writings — and subject to the Copyright Clause, period.

So does the Constitution's scheme prohibit Congress from forbidding unauthorized fixation of the creative works of others? There is nothing or almost nothing bearing on this question in the materials we have from the 1787 Convention. Recall that the first proposal for the Copyright Clause — in May 1787 — was to give "to Authors the exclusive right to their Performances and Discoveries." There was not a word of opposition to this Pinckney proposal: if Madison and/or Pinckney had come back with a proposal in August that said "books" or "writings" we might speculate that there was objection from some quarter to the wording of Pinckney's May proposal. Instead, the August proposals had no subject at all ("secure to literary authors their copy rights for a limited time" and to "secure to Authors exclusive rights for a certain time"). And, again, there was utterly no discussion of the proposals. We will probably never know if the silence as to subject matter meant someone had objected to Pinckney's original suggestion in May.

The lack of floor discussion at each juncture suggests — as disappointing as this will be — that the Framers *as a whole* did not worry about the precise concepts used enough to engage the proposals. At a minimum, that silence (particularly compared to what went on with other subjects)

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164 McCulloch v. Maryland, 17 U.S. (4 Wheat.) 316, 421 (1819).

165 Law Professors' *Martignon* Brief, *supra* note 10, at 9.

166 *Id.* at 18.

also suggests that the Framers had no crystallized concerns that copyright power would impinge on state sovereignty — one key issue in Necessary and Proper jurisprudence.[167]

V. HOW TO CLEAN UP THE STATUTE

To resolve finally the constitutional concerns about the anti-bootleg provisions, the perpetual protection of unauthorized fixations should be eliminated and replaced with protection linked to the copyright term. Protection should also be made subject to copyright's limitations and exceptions. At the same time, protection should be extended to dramatic performers, both to fulfill the Beijing Treaty and because, as an overall matter, we should not privilege one group of artistic performers over another. We can analyze the needed changes step-by-step.

Amending intellectual property legislation is usually not, in Washington jargon, an "easy lift," particularly given the acrimony that has surrounded copyright-related issues since the mid 1990s. Nonetheless, it is worthwhile showing how we might amend the anti-bootleg provisions, either as a balanced, stand-alone project or as a component of some broader, more comprehensive reform of Title 17.

The simplest way to extend coverage of the provision to dramatic performers would be through deletion of the word "musical" in (a)(1) and (2) so that both said simply "live performances." But this might trigger concerns about inadequate "demarcation," i.e. people claiming that daily activities were protectable performances. Instead, it might be better to add "dramatic" or "dramatic or choreographic" to the two subsections. Adopting the last of these, the provision would look as follows:

> (a) **Unauthorized Acts.—** Anyone who, without the consent of the performer or performers involved—
>
> (1) fixes the sounds or sounds and images of a live **musical, dramatic, or choreographic** performance in a copy or phonorecord, or reproduces copies or phonorecords of such a performance from an unauthorized fixation,

---

[167] United States v. Comstock, 560 U.S. 126, 153 (2010) (Kennedy, J., concurring in judgment) ("It is of fundamental importance to consider whether essential attributes of state sovereignty are compromised by the assertion of federal power under the Necessary and Proper Clause . . . ."); Nat'l Fed. of Indep. Bus. v. Sebelius, 132 S. Ct. 2566, 2646 (Scalia, Kennedy, Thomas, and Alito, JJ., dissenting) ("[T]he scope of the Necessary and Proper Clause is exceeded not only when the congressional action directly violates the sovereignty of the States but also when it violates the background principle of enumerated (and hence limited) federal power.").

(2) transmits or otherwise communicates to the public the sounds or sounds and images of a live **musical, dramatic, or choreographic** performance, or

(3) distributes or offers to distribute, sells or offers to sell, rents or offers to rent, or traffics in any copy or phonorecord fixed as described in paragraph (1), regardless of whether the fixations occurred in the United States,

shall be subject to the remedies provided in sections *502* through *505*, to the same extent as an infringer of copyright.

Because the scope of the Beijing Treaty is determined by its list of performances to be protected,[168] it would be sensible for the legislative history to recite expressly that congressional intent is to protect all performances that would fall under the treaty.

In order to address the "Limited Times" concern, the provision should then be re-ordered to cleanly separate the "basic" prohibitions from the "supplemental" prohibitions. This would allow for a clean, clear linking of the supplemental protections to the copyright term:

(a) **Unauthorized Acts.**— Anyone who, without the consent of the performer or performers involved—

(1) fixes the sounds or sounds and images of a live **musical, dramatic, or choreographic** performance in an unauthorized fixation,

(2) transmits or otherwise communicates to the public the sounds or sounds and images of live **musical, dramatic, or choreographic** performance **during said performance**, or

(3) **for a term consisting of the life of the performer and 70 years after the performer's death**, reproduces copies or phonorecords from an unauthorized fixation as described in paragraph (1) or distributes or publicly performs any copy or phonorecord from said unauthorized fixation, regardless of whether the fixations occurred in the United States,

shall be subject to the remedies provided in sections *502* through *505*, to the same extent as **a violation of section 106, subject to sections 107 through 122.**

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[168] Article 2(a) of the Beijing Treaty provides the following definition of protected performers:

(a) "performers" are actors, singers, musicians, dancers, and other persons who act, sing, deliver, declaim, play in, interpret, or otherwise perform literary or artistic works or expressions of folklore.

An Agreed Statement to this definition further clarifies that improvisational situations are covered: "It is understood that the definition of 'performers' includes those who perform a literary or artistic work that is created or first fixed in the course of a performance."

By cross-referencing to section 106 and repeating its "subject to sections 107 through 122" language, we would expressly limit the anti-bootleg protection with fair use and other copyright exceptions. On this question, an honest discussion might trigger disagreement on whether the "right of fixation" itself [(a)(1)] should be subject to all exceptions and limitations.

A slightly different, arguably more elegant approach would be to assign the fixed performance to the performers as their copyrighted works:

> (a) **Unauthorized Acts.**— Anyone who, without the consent of the performer or performers involved—
>
> (1) fixes the sounds or sounds and images of a live **musical, dramatic, or choreographic** performance in an unauthorized fixation, **or**
>
> (2) transmits or otherwise communicates to the public the sounds or sounds and images of live **musical, dramatic, or choreographic** performance **during said performance**,
>
> shall be subject to the remedies provided in sections *502* through *505*, to the same extent as an infringer of copyright
>
> (b) **Unauthorized fixations** — a live **musical, dramatic, or choreographic performance fixed in an unauthorized fixation may qualify as an original work of authorship pursuant to 17 U.S.C. § 102 as if the performer or performers involved authorized such fixation**, regardless of whether the fixations occurred in the United States.

This approach would bring in fair use and other copyright exceptions as well as rules for joint ownership (among the performers), transfer and assignment, etc.

In a proper clean-up of the statute along the lines proposed here, there are some additional points that ideally would be addressed. For example, § 2319A's express incorporation of copyright law's § 101 definitions makes the criminal statute internally inconsistent. Section 2319A(d) provides that the word "fixed" as used in 2319A means the term "within the meaning of title 17," i.e. embodied "in a copy or phonorecord, by or under the authority of the author." But that means that when a bootlegger "without the consent of the performer or performers involved . . . fixes the sound or sound and images of a live musical performance," they would have to be doing so "by or under the authority of the author." The civil anti-bootlegging provision in Title 17 has this same incoherence since the 17 U.S.C. § 101 definitions apply throughout the title. As another example, if the supplemental provisions were more closely linked to § 106, we would want to reassess whether Congress' apparent intention that the cur-

rent civil anti-bootlegging provisions do not "annul or limit any rights or remedies under the common law or statutes of any State."[169]

CONCLUSION

The 1994 anti-bootlegging provisions were drafted as part of an ambitious, fast-moving effort to bring American law into compliance with the many agreements establishing the World Trade Organization, including the TRIPs Agreement. There is no doubt that there was some haste on Capitol Hill — and some last minute developments — that contributed to the anti-bootleg provisions being imperfect.

Yet in the space of just a few years, two Courts of Appeal and one district court upheld the constitutionality of the anti-bootleg provisions. The problem is that they did so with the wrong analysis, treating the provisions as a unitary whole to be justified with one congressional power. This produced a bizarre discussion in the briefs, court opinions, and law review articles about "eternal" or "perpetual" protection of "live performances," as if we were all trapped in some space/time loop where Mick Jagger never ages, Elvis is still alive, and KISS never gets off the stage.

The better analysis sees the provisions as having two kinds of elements. One kind of element — the "supplemental" provisions — address fixed original expression that are "Writings" and, therefore, fall squarely under the Copyright Clause. These provisions need to be amended to provide protection for "Limited Times" and ensure that at least the most important of copyright's exceptions apply directly. The other kind of element — the true "anti-bootlegging" provisions that forbid unauthorized recording activities — fall outside the Copyright Clause, but can be justified by what is Necessary and Proper for a national copyright system.

With the 2012 Beijing Treaty completed it is time to extend the "right of fixation" to dramatic performers, providing them with the same protection we have accorded musicians for 20 years. This can be done without any adverse impact on free expression and cultural development. Congress should do so, using the opportunity to cure the anti-bootleg provisions of what remain genuine constitutional problems.

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169 17 U.S.C. § 1101(d) (2012). *See also* 140 CONG. REC. E2264 (daily ed. Oct. 8, 1994) (remarks of Rep. William J. Hughes) (emphasis added), *reprinted in* 7 URUGUAY ROUND AGREEMENT ACT, A LEGISLATIVE HISTORY OF PUBLIC LAW NO. 103-465, at [n.p.] (Bernard D. Reams, Jr. & Jon S. Schultz eds., 1995).

CONTENT REVIEW AND COPYRIGHT PROTECTION IN CHINA AFTER THE 2009 *U.S. V. CHINA* WTO PANEL RULING

by WEIJUN ZHANG† AND YANBING LI*

ABSTRACT

China has always maintained relatively-strict content censorship and has prohibited works with illicit or immoral content (offending works) from publication and dissemination. This article examines and compares UK, U.S., and German practices, and whether such works are copyrightable, and if so, to what extent they are protected by Chinese copyright law. In particular, it focuses on the implications of the revised Chinese Copyright Law of 2010 pursuant to the ruling of the WTO Dispute Settlement Body (DSB) of 2009 in the dispute, *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, as well as the effective protection and remedies available with respect to foreign works against copyright infringements, which have already been published or disseminated in China, but without a successful completion of the required content review.

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I. HISTORICAL RELATIONSHIP BETWEEN CONTENT CENSORSHIP AND COPYRIGHT PROTECTION

A. Content Censorship

China has always maintained a relatively strict governmental review and approval system to manage publication and dissemination of literary and artistic works to ensure their content comply with the Constitution, law and public interest. According to the Chinese administrative regulations the following content is prohibited from publication and dissemination: 1) opposing the basic principles established in the Constitution; (2) endangering the unification, sovereignty and territorial integrity of the State; (3) divulging secrets of the State, harming national security, or impairing the honor and interests of the State; (4) inciting the enmity, discrimination of nationalities, jeopardizing unity among the various ethnic groups, or violating the customs and habits of minority nationalities; (5) spreading cults or superstition; (6) disturbing the social order and destroying social stability; (7) inciting pornography, gambling, violence or instigating a crime; (8) insulting or libeling others, violating the lawful rights and interests of others; or (9) endangering social morality or fine national cultural traditions; and (10) other contents which are prohibited by laws and administrative regulations of or by the State.[1]

Administrative measures are widely taken by the Chinese government to prevent and prohibit circulation of works with prohibited content. In sum, two parallel systems are applicable; namely, pre- and post-censorship. Under the former, the requisite procedures of content review, licence or record filing must be successfully accomplished prior to the publication and dissemination of certain types of works, e.g., a content-review system of foreign publications for reproduction and importation; a content review system of foreign audiovisual products for reproduction and importation; an examination system of movies and licence system for production and projection; content examination, and a licence system of television series for distribution; an examination and approval system of overseas movies, a television series and other radio and television programs with respect to broadcast and rebroadcast; a "licence for public projection of movies" or a "licence for distribution of television series"

[1] Regulations on the Administration of Publications 2011 art. 25; Regulations on the Administration of Audiovisual Products 2011 art. 3(2); Regulations on the Administration of Movies 2001 art. 25(1); Rules for Administration of Internet Information Services Procedures 2000 art. 15; Regulation on the Administration of Broadcasting and Television 1997 art. 32; Measures for the Broadcast of Audiovisual Programs via Information Networks such as the Internet 2004 art. 9; Administrative Provisions for the Internet Audiovisual Program Service 2007 art. 16; Regulations on Telecommunications 2000 art. 57, et seq.

required for broadcast of audiovisual programs such as movies and television series via the Internet, etc. In effect, works requiring a pre-censorship review may only be published or distributed after passing the content review procedure. In other words, the publication and distribution of certain works will be prohibited by the administrative regulations, whose prerequisite pre-examinations are a prerequisite, were not successfully completed.

Meanwhile, in case pre-examination is not required, or though required, not yet submitted (unreviewed works), or though submitted not yet conducted (works pending review), or though finished, prohibited contents were not found in time, the competent administrative departments are still empowered to forbid certain works from publication and dissemination according to administrative laws and regulations mentioned above as soon as the contents are found illicit under the so-called post-censorship system.

B. Offending Works Under the Chinese Copyright Law

With respect to copyright protection, Article 4(1) of the Chinese Copyright Law 1991 explicitly stated that "works the publication and/or dissemination of which are prohibited by law shall not be protected by this law." Professor Chengsi Zheng once firmly clarified that the real legislative purpose of this provision was in nature nothing else but the complete exclusion of works with illicit content from copyrightability, and the formulation of "not protected by this Law" is only to make it easier to accept.[2] Besides, even if such works are copyrightable, Article 4(2) provided "copyright owners, in exercising their copyright, shall not violate the Constitution or laws or prejudice the public interest." Considering "works the publication and dissemination of which are prohibited by law" are in fact those works consisting of unconstitutional or illegal content, the Chinese courts in deciding copyright infringement disputes may reduce or even refuse remedies for such works based on Article 4(2) of the Copyright Law 1991.

Although Article 4(1) of the Copyright Law 1991 was widely criticized,[3] it seemed unnecessary to revise it, since for one thing, the offend-

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[2] Chengsi Zheng (郑成思), 试论我国版权法修订的必要性 [*The Necessity of the Revision of the Chinese Copyright Law*], ZHUZUOQUAN (著作权), no. 3, 1994, at 28. *See also* Jianwen Liu (刘剑文) & Wangqing Su (苏王清), 关于版权客体分类方法与类型的比较研究 [*Comparative Analysis Regarding the Classification Methods and Types of Copyrighted Subject Matters*], BIJIAOFAYANJIU (比较法研究) no. 1, 2003, at 44, 46.

[3] *E.g.*, Dingsheng Fu (傅鼎生), *Copyright Protects the Expression of Works*, FAXUE (法学), 1988 (1), at 34, 35-36; Anling Fei (费安玲), *Overview of Works*, *in* Ping Jiang (江平), 中华人民共和国著作权法讲析 [EXPLANATIONS

ing works were few in number and for another the author of offending works would be very unlikely to request copyright protection from the courts or the competent administrative departments in case any infringement occurs, until the ruling of the WTO DSB of 2009 in the dispute of *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*.[4] In this dispute, the WTO Panel concluded Article 4(1) of the Chinese Copyright Law of 2001[5] was inconsistent with Chinese obligations under Article 5(1) of the Berne Convention and Article 41.1 of the TRIPs Agreement. Since neither China nor the United States appealed, China was obliged to revise this provision within one year. In so doing, Article 4(1) of the Copyright Law of 2001 was omitted in its revision in 2010.

However, the WTO Panel Report did emphasize that "the United States' claim did not challenge China's right to conduct content review" and "the Panel's findings do not affect China's right to conduct content review."[6] Accordingly, notwithstanding the deletion of Article 4(1) of the Copyright Law 2001, the new Article 4 of the Copyright Law 2010 reads: "copyright holders shall not violate the Constitution or laws or jeopardize public interests when exercising their copyright. The State shall supervise and administer the publication and dissemination of works in accordance with the law." In particular, the second sentence of Article 4 of the revised Copyright law 2010 serves as authority for governmental censorship based on which content review is still conducted by the Chinese government and what publication and distribution of works of prohibited content are still prohibited under the regulations of administrative laws mentioned above. It is thus still not clear what effects content censorship would have on the copyright protection of unreviewed works, works pending review,

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FOR THE COPYRIGHT LAW OF THE PEOPLE'S REPUBLIC OF CHINA], 148, 167 (1991); Zhi Wei (韦之), 著作权法原理 [COPYRIGHT LAW OF CHINA] 31 (1998); 从伯尔尼公约看中国著作权法之修订 [THE REVISION OF THE CHINESE COPYRIGHT LAW FROM THE BERNE CONVENTION PERSPECTIVE], ZHONGWAIFAXUE, no. 5, 1997at 91, 91-92; Jianwen Liu (刘剑文) & Wangqing Su (苏王清), *supra* note 2, at 46.

[4] WORLD TRADE ORG., CHINA – MEASURES AFFECTING THE PROTECTION AND ENFORCEMENT OF INTELLECTUAL PROPERTY RIGHTS: REPORT OF THE PANEL, WT/DS362/R (Jan. 26, 2009) [hereinafter WTO Panel Report], *available at* http://www.wto.org/english/tratop_e/dispu_e/362r_e.pdf. For a summary of the dispute, see *China – Measures Affecting the Protection and Enforcement of Intellectual Property Rights*, WORLD TRADE ORGANIZATION, http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds362_e.htm (last visited Aug. 27, 2014).

[5] Article 4(1) of the Copyright Law 1991 was identical with Article 4(1) of the Copyright Law 2001.

[6] WTO Panel Report, *supra* note 4, ¶ 7.144.

and works that failed content review in China under the revised Copyright Law 2010.

II. COPYRIGHT PROTECTION OF OFFENDING WORKS

A. Legal Tradition of Denying Copyright Protection in Germany, the UK, and U.S.

The WTO Panel found that Article 4(1) of the Chinese Copyright Law 2001 denied all copyright protection with respect to offending works based on their illicit content,[7] which was in violation of the Berne Convention and TRIPs Agreement.[8] However, observation of various practices in Germany, the UK, and U.S. where, in spite of different copyright legal systems, all possess a much longer history of copyright enforcement than does China, indicates that the claims by the United States and the findings of the WTO Panel are not straightforward and impeccable. After all, the complete denial of copyright protection on offending works was neither created by China nor was China alone in this practice.

1. German Practice

For a long time, German legislators and jurists[9] believed that the denial of copyright protection of offending works observes the self-evident, inherent, simple yet fundamental legal principles that only such subject matter and action are protected by law that conform with the Constitution and law; no one may profit from his wrong doing; and regulations shall not be self-contradictory. For example, in the century before the unification of Germany into the Bismarck Reich, a representative of the Kingdom of Württemberg raised such a question on the legislative process of copyright law: how to protect literary works, and if and to what extent was the publication of prohibited matter punishable by the criminal law? At that time, it was commonly accepted that, according to fundamental legal principles, no one could have an exclusive right to distribute books if they were pro-

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[7] *Id.* ¶¶ 7.52, 7.60.

[8] *Id.* ¶ 7.139.

[9] For detailed historical introduction, see Manfred Rehbinder & Eric Pahud, *Urheberschutz und Sträfliche Inhaltskontrolle*, 1998 UFITA no. 136 [hereinafter Rehbinder 1998]; Manfred Rehbinder, *in* FESTSCHRIFT FÜR ROBERT DITTRICH (2000) [hereinafter Rehbinder 2000); for the current prevailing view in Germany, see HAIMO SCHACK, URHEBER- UND URHEBERVERTRAGSRECHT ¶¶ 252, 780 (6th ed. 2013); GUNDA DREYER, JOST KOTTHOFF & ASTRID MECKEL URHEBERRECHT ¶ 101 (3d ed. 2013) [hereinafter SCHACK 2013]; HAINMO SCHACK, KUNST UND RECHT ¶ 229 (2d ed. 2009) [hereinafter SCHACK 2009].

hibited by criminal law due to immoral or illegal content.[10] It was even held that this principle was so straightforward that a copyright provision of specific exclusions was unnecessary.[11]

Although the concrete German enforcement practice on offending works changed as German recognition of the nature of copyright deepened,[12] the general legal principles, serving as pillars, had never been changed. Josef Kohler supported the complete denial of copyright protection of offending works on the grounds that certain provisions of the German Criminal Law[13] prohibit the dissemination of certain works with immoral or illegal content, and it would be self-contradictory in the light of general legal principle to protect the dissemination of offending works on the one hand and prohibit it on the other.[14] It is not until Immanuel Kant[15] and the creative followers of Kohler[16] that reasonable opposing voices were really aroused.

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10 *See* "Frankfurter Entwurf," *reprinted in* 1993 UFITA no. 121, at 71-291 (citing Rehbinder 2000, *supra* note 9, at 245).

11 *See* Rehbinder 2000, *supra* note 9, at 245.

12 Following the discrete phases of recognition of the nature of copyright as well as intellectual property rights, the German denial of copyright practices can be divided into three stages: (1) copyright as economic interest, represented by Julius Jolly, first raised the copyright issues of offending works in the German-speaking areas in his monograph, *Die Lehre vom Nachdruck: Nach den Beschlüssen des Deutsches Bundes* [*Doctrine of Reprints*] (Heideberg, Mohr 1852), *reprinted in* UFITA no. 111 (1989), at 101-246; for details, see REHBINDER 1998, *supra* note 9, at 283-84; (2) copyright as economic right without personal interests, represented by Oscar Wächter, *Das Verlagsrecht* [*The Publishing Law*] 112 (Stuttgart, J.G. Cotta'sche Verlag 1857); for details see Rehbinder 1998, *supra* note 9, at 285-86; (3) Copyright as intellectual property rights separated from personal interests of authors, represented by Josef Kohler and his "dualistic theory" since 1874; *see* UFITA 1993, no. 123, at 81; JOSEF KOHLER, URHEBERRECHT AN SCHRIFTWERKEN UND VERLAGSRECHT 128ff, 439ff (1907); for a detailed introduction, see REHBINDER, URHEBERRECHT ¶ 30 (16th ed. 2010).

13 *E.g.*, Strafgetzbuch [German Criminal Law], §§ 85, 110, 111, 166, 184.

14 JOSEF KOHLER, DAS AUTHORRECHT, EINE ZIVILISTISCHE ABHANDLUNG 198ff (Jena, G. Fischer 1880).

15 Immanuel Kant, famous for his "copyright as right of personality theory" (*Theorie vom Persönlichkeitsrecht*) in 1785 suggested that copyright refers not only to the economic rights, but primarily the personal rights of the authors. For a detailed commentary, see *Kommentar von Hubmann*, 1987 UFITA no. 106, at 137ff, 145ff; for an introduction, see generally Rehbinder 2010, *supra* note 12, ¶ 29.

16 The "monistic theory" (*die monistische Theorie*) derived from Kohler's "dualistic Intellectual property right theory," regarding copyright as one right with two functions, namely the economic as well as the personal. For a general introduction, see Rehbinder 2010, *supra* note 12, ¶ 31.

2. UK Practice

English common law[17] and equity courts[18] both used to historically deny protection to offending works[19] and various theories[20] were gradually developed. In summary, there are two characteristics of the English judicial practice of denying copyright remedies to offending works. One is flexibility. In most cases claims for injunction and damages were refused on grounds of public policy. However it was unclear "whether there is no copyright in such works, or whether copyright exists but will not be afforded protection by courts."[21] Instead of a clear fixed rule on the copyright protection of offending works, at least three possible formulations emerged in English court decisions: (1) copyright cannot subsist in offending works (non-existence);[22] (2) copyright subsisted in offending works,

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17 *See* Dering v. Earl of Winchelsea, (1787) 1 Cox 318, 29 Eng. Rep. 1184 (Ex.) (Eyre, C.J.); Dr. Priestley's Case (1792) (Eyre, C. J.) (unreported); Fores v. Johnes, (1802) 4 Esp. 97, 170 Eng. Rep. 654 (K.B.) (Lawrence, J.); Hime v. Dale, (1803) 11 East 244, 170 Eng. Rep. 1070 (K.B.) (Ellenborough, L.J.); Dubost v. Beresford, (1810) 2 Camp. 511, 170 Eng. Rep. 1235 (K.B.); and most importantly, Stockdale v. Onwhyn, (1826) 7 Dowl. & R. 625, 172 Eng. Rep. 75 (K.B.).

18 For instance, an injunction was first denied in *Burnett v. Chetwood*, (1721) 2 Mer. 441, 35 ER 1008 (Ch.); *locus classicus* in Lord Eldon's rulings, in particular first in *Walcot v. Walker* (1802) 7 Ves. Jr. 1, 32 Eng. Rep. 1 (Ch.), and most importantly in *Southey v. Sherwood*, (1817) 2 Mer. 435, 35 Eng. Rep. 1006 (Ch.), followed by *Lawrence v. Smith*, (1822) Jacob, 471, 37 Eng. Rep. 928 (Ch.); *Murray v Benbow*, (1822) Jacob 474, THE TIMES, Feb. 2, 1822.

19 For general introduction to English practice, see James R. Alexander, *Evil Angel Eulogy: Reflections on the Passing of the Obscenity Defense in Copyright*, 20 J. INTELL. PROP. L. 209, 219-20 (2013); Alexandra Sims, *The Denial of Copyright Protection on Public Policy Grounds*, EUR. INTELL. PROP. REV. 189, 190 (2008); Jeremy Phillips, *Copyright in Obscene Works: Some British and American Problems*, 6 ANGLO-AM. L. REV. 138, 140 (1977); *see also* Zechariah Chafee Jr., *Coming into Equity with Clean Hands*, 47 MICH. L. REV. 877 (1949) [hereinafter Chafee I]; Zechariah Chafee Jr., *Coming into Equity with Clean Hands*, 47 MICH. L. REV. 1065 (1949) [hereinafter Chafee II].

20 Most important are the "property theory," "the clean hands doctrine," "equity waits for law courts," and "tainting theory."

21 9 HALSBURY'S LAWS OF ENGLAND ¶ 64 n.5 (4th ed. 2006); *see also* Phillips, *supra* note 19, at 139-40; Sims, *supra* note 19, at 189-92.

22 For example, *Dr. Priestley's* case, ruled on by Lord Chief Justice Baron James Eyre in 1792. There is no record for the case, but it was cited by Lord Eldon first briefly in *Walcot v. Walker*, [1802] 7 Ves. Jr. 1, 32 Eng. Rep. 1, and in details in the case of *Southey v. Sherwood*, [1817] 2 Mer. 435, 437; 35 Eng. Rep. 1006, 1007; *see also* Glyn v. Weston Feature Film Co., [1916] 1 Ch. 261, 269. In a 1990 case, *Attorney General v. Guardian Newspapers, Ltd.*, Lord Brightman and Lord Griffiths were still of the opinion that no copyright may exist in offending works. *See* [1990] 1 A.C. 109, 267 (Brightman, L.J., at 267), (Griffiths, L.J., at 275-76).

yet no remedies can be given by the court at all (existence without any remedies);[23] (3) freedom of choice between (1) and (2).[24] Even now it is suggested that a flexible application of three options at the disposal of courts is preferable.[25]

The second characteristic of English practice and of the traditional common-law system is the separation of common law courts from equity courts. Accordingly, the procedural rule of "equity waits for law courts" applied, that is, the questionable illicit or immoral nature of the works is a disputable factual issue that cannot be decided by equity court and the case should be heard by the law courts; until the damages in relation to the copyright infringement of the work at issue are awarded by law courts, injunction is refused by the equity court.[26] Furthermore, the substantial equity maxim of "clean hands doctrine" was created to deny injunction claims at equity courts:[27] i.e. illicit content of the work as unclean hands

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23 *See* Hime v. Dale, (1803) 170 Eng. Rep. 1071 n.(b) (here, Lord Ellenborough opined on the one hand: "I do not at present see why a composition printed upon a single sheet should not be entitled to the privileges of the statute." He added: "If the composition appeared on the face of it to be a libel so gross as to affect the public morals, I should advise the jury to give no damages. I know the Court of Chancery on such an occasion would grant no injunction. But I think the present case is not to be considered one of that kind."). *Id.* at 1072; *see also* Attorney Gen. v. Guardian Newspapers, Ltd., [1990] 1 A.C. 109, 293-94; Hyde Park Residence, Ltd. v. Yelland ¶ 49, [2000] 3 W.L.R. 215; [2001] Ch. 143.

24 The key case for this formulation is in *Stockdale v. Onwhyn*, (1826) 108 Eng. Rep. 65, 66 (where Lord Chief Justice Abbott pointed out:

> [O]ne person of great authority and talents may think the publication of such a work will be most effectually restrained by granting an injunction. Another of equal authority and equal talents may think that the same object will be best attained by holding that there can be no property in the work; the inducement to become the publisher will be less if other persons may copy and publish the book, gain being the object of the publisher. Which of these is the better opinion it is not for us to say; each learned person has acted upon his own judgment, each having in view the restraint of the publication.

25 Sims, *supra* note 19, at 197-98.

26 In this regard eleven cases of Eldon were referred to in Vesey's report on Walcot. *See* Cary v. Faden, (1799) 31 Eng. Rep. 453 (Ch.); Southey v. Sherwood, (1817) 35 Eng. Rep. 1006 (Ch.); Hogg v. Kirby, (1803) 32 Eng. Rep. 336 (Ch.); Matthewson v. Stockdale, (1806) 33 Eng. Rep. 103 (Ch.); Longman v. Winchester, (1809) 33 Eng. Rep. 987 (Ch.); Wilkins v. Aiken, (1810) 34 Eng. Rep. 163 (Ch.); Platt v. Button, (1815) 34 Eng. Rep. 583 (Ch.); Wyatt v. Barnard, (1814) 35 Eng. Rep. 408 (Ch.); Whittingham v. Wooler, (1817) 36 Eng. Rep. 679 (Ch.); Barfield v. Nicolson, (1824) 57 Eng. Rep. 245 (Ch.) 248; Rundell v. Murray, (1821) 37 Eng. Rep. 868 (Ch.) 870 (citing Alexander, *supra* note 19, at 246 n.116.

27 The clean hands doctrine, also known as "he who comes into Equity must come with clean hands," or "he who seeks equity must first do equity," is

disqualified its copyright owner from the injunction remedy at equity court.

3. U.S. Practice

Initially, the U.S. entirely followed the English practice of denying copyright protection to offending works and used the English legal maxims and theories as ratio decidendi.[28] In particular, the "clean hands doctrine" was followed by the early American courts to refuse claims for an injunction,[29] some of which refusals cited Eldon's rulings as authority.[30] Although later American courts[31] sometimes challenged the "clean hands doctrine" and "showed a reluctance to act as censors or moral referees" in invalidating or disallowing copyright for works of questionable moral-

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the most significant concept created by judicial practice as a fundamental maxim of equity. It was initially applied in contract and tort law and was extended to copyright law by a series of Lord Eldon's rulings based on Lord Chief Justice Eyre's dictum in *Dr. Priestley's Case. See* Walcot v. Walker, (1802) 7 Ves. Jr. 1, 32 Eng. Rep. 1 (Ch.); Southey v. Sherwood, (1817) 2 Mer. 435, 35 Eng. Rep. 1006 (Ch.); Lawrence v. Smith, (1822) Jacob, 471, 37 Eng. Rep. 928 (Ch.); Murray v. Benbow, (1822) Jacob 474n, THE TIMES, Feb. 2, 1822. The origin of this doctrine and its extension to copyright law as an obscenity defence are sufficiently discussed in Alexander, *supra* note 19, at 6, 7 nn.25-32. For a general introduction of the clean hands doctrine in contract, tort and labour litigation as well as Intellectual Property law, see Chafee I and Chafee II, *supra* note 19.

[28] For a general introduction of the practice in the United States, see Phillips, *supra* note 19, at 146-66; Kurt L. Schmalz, *Problems in Giving Obscenity Copyright Protection: Did Jartech and Mitchell Brothers Go Too Far?*, VAND. L. REV, 403 (1983); Alexander, *supra* note 19, at 282-314. For leading cases excluding offending works from copyright protection, see Martinetti v. Maguire, 16 F. Cas. 920 (C.C. Cal. 1867) (No. 9173); Shook & Palmer v. Daly, 49 How. Prac. 366 (N.Y. Sup. Ct. 1875); Richardson v. Miller, 20 F. Cas. 722 (C.C. Mass. 1877) (No. 11,791); Broder v. Zeno Mauvais Music Co., 88 F. 74 (C.C.N.D. Cal. 1898); Barnes v. Miner, 122 F. 480 (C.C.S.D. N.Y. 1903); Hoffman v. Le Traunik, 209 F. 375 (N.D.N.Y. 1913); and most recently Devils Films, Inc. v. Nectar Video, 29 F. Supp. 2d 174 (S.D.N.Y. 1998).

[29] *Martinetti*, 16 F. Cas. at 923; *Richardson*, 20 F. Cas. at 723; *Broder*, 88 F. at 78; *Barnes*, 122 F. at 490; *Hoffman*, 209 F. at 379; Cain v. Universal Pictures Co., 47 F. Supp. 1013, 1018 (S.D. Cal. 1942); Bullard v. Esper, 72 F. Supp. 548, 549 (N.D. Tex. 1947); and most recently *Devils Films, Inc.*, 29 F. Supp. 2d at 175.

[30] *Broder*, 88 F. at 78; *Barnes*, 122 F. at 490-91. Even in the more recent case of *Devils Films*, Judge Martin expressly invoked the clean hands doctrine to deny a preliminary injunction. *See* 29 F. Supp. 2d at 175.

[31] For significant cases, see Simonton v. Gordon, 12 F.2d 116 (S.D.N.Y. 1925); *Cain*, 47 F. Supp. at 1018; *Bullard*, 72 F. Supp. at 548-49; Roth v. United States, 354 U.S. 476, 489 (1957); Memoirs v. Massachusetts, 383 U.S. 413, 418 (1966); Miller v. California, 413 U.S. 15, 39 (1973).

ity,"[32] it was not until *Mitchell Brothers*[33] in 1979 and subsequent decisions,[34] that U.S. courts expressly recognized the eligibility of offending works for copyright protection, thereby declaring their departure from the traditional practice of the English courts.

One ground in the early American cases for denying copyrightability to offending works was the Copyright Clause of the American Constitution.[35] The illegal or immoral tendency of works was regarded as not promoting "the progress of science and useful arts" as specified in the Constitution, therefore offending works were deemed uncopyrightable.[36] With respect to offending works, it was understood that "society may tolerate and even patronize" the dissemination of such works, however "Congress has no constitutional authority to enact a law that will copyright them, and the courts will degrade themselves when they recognize them as entitled to the protection of the law."[37]

4. Ignorance of the WTO Panel's Ruling

The review of traditional practice in Germany, the UK, and U.S. showed that denial of copyright protection to works with illicit or immoral content on grounds of public policy was considered consistent with fundamental legal principles and was commonly accepted in particular by the common law jurisdictions. It was not until recently that such practice has been seriously challenged. However, the U.S. government claimed in the WTO dispute that China, in denying copyright protection to offending works under Article 4(1) of the Chinese Copyright law 2001, was violating the Berne Convention, as well as the TRIPs Agreement. The long legal tradition of denying copyright protection in Germany, the UK, and the fact that the American courts had in effect denied copyrightability of offending works for quite some time seemed to be forgotten. Unfortunately, China did not defend herself with this weighty argument. Although the WTO Panel was not obliged to review American practice in this matter, it also somehow overlooked the surprising similarity between Chinese and

[32] Schmalz, *supra* note 28, at 409.

[33] Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852 (5th Cir. 1979).

[34] *E.g.*, Jartech, Inc. v. Clancy, 666 F.2d 403 (9th Cir. 1982); Dream Games of Ariz., Inc. v. PC Onsite, 561 F.3d 983, 990 (9th Cir. 2009).

[35] U.S. CONST. art, I, § 8, cl. 8 (stating that "the Congress shall have the Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.").

[36] The constitutional argument was first raised in *Martinetti v. Maguire*, 16 F. Cas. 920, 922-23 (C.C. Cal. 1867) (No. 9173); followed by *Barnes v. Miner*, 122 F. 480, 489-93 (C.C.S.D. N.Y. 1903). See also *Bullard*, 72 F. Supp. at 548.

[37] Barnes v. Miner, 122 F. 480, 492 (C.C.S.D. N.Y. 1903).

American traditional judicial practice in denying the copyright protection to offending works.

B. *Copyrightability of Offending Works Under Article 4 of the Copyright Law 2010*

1. *Interpretation of Article 17 of the Berne Convention*

According to legislators of the Chinese Copyright Law[38] and many Chinese academic treatises,[39] the international legislative authority for denying copyright protection to offending works was Article 17 of the Berne Convention. However, the WTO Panel concluded that "notwithstanding Chinese governmental censorship recognized in Article 17 of the Berne Convention," Article 4(1) is still inconsistent with the Berne Convention.[40] As for an authoritative legal interpretation of this provision, without concise theoretical explanations, the WTO Panel merely provided a rather technical explanation, stating that Article 17 of the Berne Convention does not authorize the denial of all copyright protection in any work,[41] while Article 4(1) of the Copyright Law, "denies all copyright protection with respect to particular works."[42]

Article 17 of the Berne Convention states:

> The provisions of this Convention cannot in any way affect the right of the Government of each country of the Union to permit, to control, or to prohibit by legislation or regulation, the circulation, presentation, or exhibition of any work or production in regard to which the competent authority may find it necessary to exercise that right.

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38 *E.g.*, Angran Gu (顾昂然) (the Vice-Chairperson of the Legislative Affairs Commission of the Standing Committee of the National People's Congress (NPC)), (新中国第一部著作权法概述) [Overview of the First Copyright Law of PRC], ZHONGGUOFAXUE (中国法学), no. 6, 1990, at 52, 56. *See also* KANGSHENG HU (胡康生), 著作权法释义 [INTERPRETATIONS OF THE COPYRIGHT LAW] 16 (1990).

39 In particular, Chengsi Zheng (郑成思), one of the leading professors of Copyright Law in China, stating that:

> [T]he principle of public policy/public order is confirmed under the Berne Convention 17. Accordingly, authors may exercise their rights only if that exercise does not conflict with public order; the copyright protection system in the literary and artistic areas shall not contradict the publication censorship of works by the Government of the member states.

CHENGSI ZHENG (郑成思), 版权法 [COPYRIGHT LAW] 275 (1990).
See also CHUNTIAN LIU (刘春田), (知识产权法) [INTELLECTUAL PROPERTY LAW] 65-67 (4th ed. 2009 edition) (finding that Article 4 of the Copyright Law representing the sovereignty of the member states is in compliance with international practices confirmed under Article 17 of the Berne Convention).

40 WTO Panel Report, *supra* note 4, ¶ 7.139.

41 *Id.* ¶¶ 7.127, 7.132.

42 *Id.* ¶ 7.130.

With respect to offending works in particular, Professor Dreier correctly clarified the meaning of Article 17 of the Berne Convention in the following three respects. First, Article 17 recognizes member states' sovereign right to enforce their "national public policy" by "regulating issues such as pornography, blasphemy, libel and slander, race-hatred speech, incitation to war and the like" through national legislation.[43] In the sense of the Chinese practice, the administrative regulations prohibiting certain types of content from publication and distribution and requiring pre-censorship of content review are therefore justified on grounds of the Chinese national public policy.

Second, obligations of the Berne Convention themselves cannot force member states to "alleviate or even abandon" governmental censorship, even if such censorship might affect "the exercise of the author's moral rights and exploitation rights."[44] Consequently, certain restrictions on the exercise of and remedies for copyright relating to works of questionable content are also justified.

Third, a total withdrawal of minimal protection or partial or complete removal of copyright in a work will not be allowed under Article 17 of the Berne Convention.[45] It is accepted practice under the Berne Convention that copyright in a work vests immediately and automatically upon creation without any formalities, if the substantive requirements of copyright are fulfilled.[46] This fundamental copyright principle under the Berne Convention applies to all works including offending works and this principle applies to every provision under the Berne Convention including Article 17, unless otherwise provided in the Convention. Therefore, by completely denying the copyrightability of offending works, Article 4(1) of the Chinese Copyright Law 2001 was inconsistent with the Berne Convention. As a result, offending works should be copyrightable despite the illegality or immorality of the content.

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[43] THOMAS DREIER, CONCISE EUROPEAN COPYRIGHT LAW 69 (2006) (discussing Article 17 of the Berne Convention). *See also* WORLD INTELL PROP. ORG., Guide to the Berne Convention for the Protection of Literary and Artistic Works (Paris Act, 1971), at 99 (1978) [hereinafter WIPO 1978] (discussing Article 17, ¶ 17.2), *available at* ftp://ftp.wipo.int/pub/library/ebooks/historical-ipbooks/GuideToTheBerneConventionForTheProtectionOfLiteraryAndArtisticWorksParisAct1971.pdf; WORLD INTELL PROP. ORG., GUIDE TO THE COPYRIGHT AND RELATED RIGHTS TREATIES 96 (2003) (discussing paragraph 17.1), *available at* http://www.Wipo.Int/Freepublications/En/Copyright/891/Wipo_Pub_891.Pdf; SILKE VON LEWINSKI, INTERNATIONAL COPYRIGHT LAW AND POLICY ¶¶ 5.205-5.208, at 170-71 (2008).

[44] Dreier, *supra* note 43.

[45] *Id.* ¶ 3. For commentators who agree with this position, see VON LEWINSKI, *supra* note 43, ¶ 5.206; Zhi Wei, *supra* note 3, at 31-32, 185; MINGDE LI (李明德), 知识产权法 [INTELLECTUAL PROPERTY LAW] 38-39 (2008).

[46] VON LEWINSKI, *supra* note 43, ¶ 5.206.

2. Accepted International Practice in the UK, U.S., and Germany

It is now accepted international practice in the UK, U.S., and Germany to recognize the copyrightability of works with illicit or immoral content. The most authoritative English copyright commentaries[47] and prevailing English judicial practice[48] now suggest: "the better view is that copyright subsists but will not necessarily be enforced."[49] Since the *Mitchell Brothers* case[50] in 1979 and its successors,[51] most U.S. courts have recognized the eligibility for copyright protection of offending works, which is also commonly accepted now by the prominent U.S. copyright commentaries and the newest legal treatises.[52] As for German current practice, notable views are Rehbinder's theory of "*partial existence with limited competences*,"[53] Löwenheim's theory of "*full existence with limited enforceability*,"[54] and Schack's compromise theory of "*full existence with limited exercisability of certain positive competences*,"[55] all of which oppose the entire denial of copyrightability in relation to offending works.

3. Chinese Choice Under Copyright Law 2010

As for the Chinese position on supporting the complete exclusion of offending works from copyright, Article 4(1) of the Copyright Law of 2001 was deleted in its revision in 2010 in light of the WTO ruling of 2009. It is now logical and consistent with the Berne Convention to assume that a complete removal of copyright and total withdrawal of copyright protection even with respect to works with prohibited content would no longer be allowed by the Chinese Copyright Law 2010. This proposition was also confirmed by Judge Jianjun Zhu, who stated: "the revision of Article 4 of the Copyright Law 2001 indicates that injunction claims shall be granted in

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47 *See, e.g.*, HALSBURY'S LAWS OF ENGLAND, *supra* note 21; COPINGER & SKONE JAMES ON COPYRIGHT 3-304 (16th ed. 2012) (works denied protection).

48 *E.g.*, Lord Aldous in Hyde Park Residence, Ltd. v. Yelland ¶ 49, [2000] 3 W.L.R. 215 (Aldous, L.J.); Attorney Gen. v. Guardian Newspapers, Ltd. 109, 293-294, [1990] 1 A.C. (Jauncey, L.J.).

49 COPINGER & SKONE JAMES ON COPYRIGHT, *supra* note 47.

50 Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852 (5th Cir. 1979).

51 *See, e.g.*, Jartech, Inc. v. Clancy, 666 F.2d 403 (9th Cir. 1982); Dream Games of Ariz., Inc. v. PC Onsite, 561 F.3d 983, 990 (9th Cir. 2009).

52 *See, e.g.*, 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 2.17 (2015); 2 WILLIAM F. PATRY, PATRY ON COPYRIGHT §§ 3.41-3.44 (2015); Alexander, *supra* note 19.

53 *See* Rehbinder 2000, *supra* note 9, at 248; Rehbinder 2010, *supra* note 12, ¶¶ 52, 98.

54 ULRICH LOEWENHEIM ET AL, URHEBERRECHT: KOMMENTAR ¶ 48 (4th. ed. 2010).

55 SCHACK 2013, *supra* note 9, ¶¶ 252, 780; DREYER ET AL., *supra* note 9, ¶ 101; SCHACK 2009, ¶ 229 n.9.

case of copyright infringement without any influence of the content legitimacy of the work."[56] In other words, offending works shall be copyrightable under the Copyright Law 2010 in spite of prohibited content.

C. *Remedies for Offending Works Under Article 4 of the Copyright Law 2010*

If offending works are eligible for copyright protection, the next question would be to what extent offending works can be protected and enforced to achieve a balance between an author's personal interests and public interests at large. As the WTO Panel pointed out, the first sentence of Article 4 of the revised Copyright Law 2010[57] may very well address Chinese public policy concerns.[58] As a result, notwithstanding the deletion of Article 4(1) of the Copyright Law 2001, restrictions may still be imposed on the exercise and enforcement of the copyright of offending works in accordance with the first sentence of Article 4 of the Copyright Law 2010. Less problematic is the prohibition of a positive exercise of copyright in offending works in the form of self-exploitation or authorization for publication and dissemination, which are explicitly prohibited by criminal and administrative law. More debatable is whether injunction and award of damages should be given in case of copyright infringement against offending works.

1. *With Respect to Injunction*

a) Arguments for Non-injunction in China

Article 4 of the Copyright Law 2010 does not expressly preclude courts from refusing injunctions (claims) in relation to offending works. For instance, the Shenzhen Bao'an District People's Court still believed in 2010 that: "works the content of which violates law or jeopardizes public interests shall not be protected."[59] Indeed, this statement was made by a district people's court of China and had no direct influence on the final judgment of this particular case. However, since it was made after the

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[56] Jianjun Zhu (祝建军), 未经进口审批的境外影视作品的著作权法保护 [*Copyright Protection of Foreign Films and Audiovisual Works Without Completion of Content Review for Importation*], 93 J. People's Cts. 97 (2010), *available at* http://rmfyb.chinacourt.org/paper/html/2010-04/22/content_7988.htm?div=-1.

[57] This is identical with Article 4(2) of the Copyright Law 2001, which states: "copyright holders shall not violate the Constitution or laws or jeopardize public interests when exercising their copyright,"

[58] WTO Panel Report, *supra* note 4, ¶ 7.129.

[59] 深圳市宝安区人民法院 [Shenzhen Bao'an Dist. People's Ct.] (2010) Decision of ShenfabaoIPchuzi, 177 (深宝法知产初字第177号判决书), http://www.lawxp.com/case/c1791895.html.

deletion of Article 4(1) in the revised Chinese Copyright Act 2010, it implies that at least some Chinese courts might still refuse remedies for offending works despite recognizing their copyrightability. Consequently, the former expression of "not be protected" is merely rephrased as "no remedies."

b) Boundary of Article 17 of the Berne Convention

Nonetheless, with respect to offending works, the enjoyment of copyright, while denying exercise and enforcement, have theoretical meanings, but no practical value. This is inconsistent with Article 17 of the Berne Convention. First, in light of Article 17 of the Berne Convention, the restrictions posed on the exercise of certain economic rights of authors can only be subject to "circulation, presentation, or exhibition." Accordingly, only when public circulation/dissemination of the works[60] is concerned, and the achievement of which might harm the public interest, is it possible to limit or even exclude certain exercise of the exclusive rights of the author on grounds of public policy.

In contrast, other substantive economic rights without effects on public circulation and similar uses of the work, such as the right of reproduction, recording, translation and adaptation are not covered by this provision.[61] In addition, though moral rights were not regulated in the Berne Convention, the rationale of censorship on grounds of public policy remains the same. As long as the public interest is not endangered, authors shall be entitled to exercise their moral rights freely in accordance with national laws.

The right of publication is recognized as the most important moral right of the copyright owner in China, which implies exclusive competence to prevent others from publishing the works without authorization of the rightholder. Since the legal effect of the injunction is in accordance with the aim of public policy to prohibit the publication of works of illegal or immoral content, an injunction against unauthorized publishing of offending works should be granted. The same is true of an injunction against unauthorized dissemination or distribution of offending works. In conclusion, the author of an offending work may still attempt to stop infringement by third parties by seeing injunctive relief.

c) German theoretical explanations

Moreover, in granting an injunction there has always been significant confusion concerning the contradiction of protecting offending works by

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60 WIPO 1978, *supra* note 43, at 99 (discussing ¶ 17.3), DREIER, *supra* note 43, ¶ 2(c), VON LEWINSKI, *supra* note 43, ¶¶ 5.207, 5.208.

61 DREIER, *supra* note 43, ¶ 2(c).

copyright law while for public policy reasons prohibiting their publication and dissemination by other laws. In this regard, German jurists have provided sound explanations.

Most remarkable is Rehbinder's theory that there are positive and negative competences in every copyright of a work, among whose positive competences include exploiting the works exclusively or licensing others to exercise certain economic rights, while the negative competences prevent others from using the works without authorization. With respect to offending works, certain positive competences are excluded on grounds of public policy, but other positive and negative competences remain untouched, so that copyright only partially exists; licensing or damages in compensation in relation to the restricted positive competences should be rejected; yet injunction claims invoked by the negative competences may be granted.[62]

Schack modified Rehbinder's theory by accepting full existence of copyright in offending works yet granting certain positive competences with only limited exercisability and enforceability for public policy concerns.[63] In this view, there is no breach of the non-contradiction principle. The interests that are prohibited by other laws are also unachievable in copyright; and the interests that are not mentioned in the prohibition provisions by other laws may still fall within the scope of copyright protection.

d) Suggestions for a Chinese choice of injunction

In conclusion, granting an injunction against unauthorized publication and dissemination of offending works is suggested for Chinese practice.[64] It is both consistent with the automatic protection principle and within the boundary set up by the Article 17 of the Berne Convention. Meanwhile, the German theories clarify that no legal contradiction arises when rendering an injunction.

2. With Respect to Damages

a) Interpretation of the WTO Ruling

The WTO Panel concluded in its report by stating that: "policy choice does not diminish the Member's obligation under Article 41.1 of the

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62 *See* Rehbinder 2000, *supra* note 9, at 248; Rehbinder 2010, *supra* note 12, ¶¶ 52, 98.

63 SCHACK 2013, *supra* note 9, ¶¶ 252, 780; SCHACK 2009, *supra* note 9, ¶ 229, Dreyer et al., *supra* note 9, ¶ 101.

64 For support for this proposition, see QIAN WANG (王迁), 知识产权法教程 [INTELLECTUAL PROPERTY LAW] 71-73 (4th ed. 2013); Zhiwen Liang (梁志文), TRIPs 争端解决机制下违禁作品的版权保护 [*Copyright Protection of Works with Prohibited Content Under the TRIPs Disputes Settlement System*], FAZHIYANJIU (法治研究), no. 3, 2010, at 52, 60.

TRIPs Agreement to ensure that enforcement procedures as specified in Part III are available."[65] However, under Article 4(1) of the Chinese Copyright Law 2001, these enforcement procedures including remedies are "not available to right holders" of offending works.[66] Some have interpreted this statement of availability of remedies as requiring that an injunction and damages must be granted in a case of copyright infringement of offending works.[67]

It is worth noting that the wording "enforcement procedures, including remedies, is not available to the right holders" implies only that a complete exclusion of remedies for enforcement is not allowed, but it does not require that every kind of remedy shall be available and granted in a single case. In other words, similar to the standpoint of the WTO Panel on the matter of the eligibility for copyright protection, a complete denial of copyrightability or copyright protection is unlawful under the Berne Convention, and the term "availability of remedies" in the WTO ruling implies merely that an entire exclusion of enforcement remedies is inconsistent with the TRIPs Agreement. In fact, with regard to awards of damages different jurisdictions apply different methods.

b) Denial of damages by the UK and Germany

Claims for damages in cases of copyright infringement in works of illegal or immoral content are in principle denied in the UK[68] and Germany.[69] The ratio decidendi is mostly based on the non-contradiction principle. That is to say copyright law protects only legitimate interests that are not otherwise prohibited by other law. If unlawful profits are earned due to prohibited action or content, they will be excluded either positively (i.e., by denying licence fees) or negatively (i.e., by denying award of damages). As the High Court of Hamburg explicitly stated in the case of *Video Intim*, copyright subsists in works with illegal or immoral content, but enforcement of such copyright is limited to the negative right to prevent others from unauthorized exploitation (Abwehrrecht), while no

65 WTO Panel Report, *supra* note 4, ¶ 7.180.

66 *Id.* ¶ 7.179.

67 Qian Wang (王迁), WTO "中美知识产权争端": 美国赢得了什么? [*WTO Intellectual Property Disputes Between China and the U.S.: What Did the U.S. Win?"*], 华东政法大学学报 (HuaDongZhengFaDaXueXueBao), no. 4, 2009, at 23, 29-30 [hereinafter Qian Wang 2009].

68 *E.g.*, Dering v. Earl of Winchelsea, (1787) 1 Cox 318, 29 Eng. Rep. 1184 (Ex.); Fores v. Johnes (1802) 4 Esp. 97, 170 Eng. Rep. 654 (K.B.); Hime v. Dale, (1803) 170 Eng. Rep. 1070 (K.B.); Dubost v. Beresford, (1810) 2 Camp. 511, 170 Eng. Rep. 1235 (K.B.); Stockdale v. Onwhyn, (1826) 7 Dowl. & R. 625, 172 Eng. Rep.75 (K.B.)

69 *See supra*, Part II.C.1.c. For German theoretical explanations, see SCHACK 2013, *supra* note 9, ¶¶ 252, 780.

award of damages will be granted, since dissemination of such works even by the author himself is prohibited by law and thus no losses can ever be caused.[70]

c) U.S. separation after the *Mitchell Brothers* case

As for U.S. practice, claims for damages were denied for a long time.[71] However, the situation changed entirely with the case of *Mitchell Brothers Film Group v. Cinema Adult Theater*, where the Fifth Circuit concluded that offending works are also eligible for copyright protection including remedies for enforcement.[72] Recognized as establishing settled law,[73] *Mitchell Brothers* is described as "the most thoughtful and comprehensive analysis of the issue"[74] and has been followed by the Ninth Circuit in *Jartech, Inc. v. Clancy*[75] and *Dream Games of Arizona, Inc. v. PC Onsite*,[76] and agreed with by prominent U.S. copyright commentaries.[77]

With regard to damages, the Ninth Circuit held in *Dream Games* that "damages, actual or statutory" are not precluded merely by illegality, at least in cases where "the illegality did not injure the infringer."[78] Nimmer has observed that even if illegality might not preclude damages in copyright infringement, however, this illegality is not irrelevant in calculating the amount of damages, meaning "the full range of implicated issues" (not

[70] Oberlandesgericht [OLG], [Higher Regional Ct. Hamburg], no. 3 U 28/84, Oct. 5, 1984; GRUR 1984, at 663.

[71] *See supra*, Part II.A.3 (U.S. Practice).

[72] 604 F.2d 852 (5th Cir. 1979).

[73] The ruling in *Mitchell Brothers* was criticized in *Devils Films v. Nectar Video*, 29 F. Supp. 2d 174 (S.D.N.Y. 1998), and in Schmalz, *supra* note 28, and Sims, *supra* note 19. For a discussion of *Devils Films*, see Nova Prods. Inc. v. Kisma Video, Inc., Nos. 02 Civ. 3850(HB), 02 Civ. 6277(HB), 03 Civ. 3379(HB), 2004 WL 2754685, at *3 (S.D.N.Y. Dec. 1, 2004) (Baer. J.) (stating, "following the Fifth and Ninth Circuits' holdings, this would not be a defense to copyright infringement") (citing *Patry on Copyright*, *supra* note 52, § 3:44, at 3-131, 3-132).

[74] 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 2.17, at 2-195 n.52 (2015).

[75] Jartech, Inc. v. Clancy, 666 F.2d 403 (9th Cir. 1982) (relying on *Mitchell Brothers* and *Belcher v. Tarbox*, 486 F.2d 1087, (9th Cir. 1973). *See also* 2 PATRY, *supra* note 52, § 3:44, at 3-13.

[76] 561 F.3d at 991 (where the Ninth Circuit not only held that works containing illegal content are copyrightable following the *Mitchell* doctrine but also found that works used for illegal purposes are also surely copyrightable). *See also* 2 PATRY, *supra* note 52, §3:41, 3-109.

[77] *E.g.*, NIMMER & NIMMER, *supra* note 74; 2 PATRY, *supra* note 52 §3:44 ("Recent Case Law on Obscene Works"), at 3-132.

[78] 561 F.3d at 992. Although the case was about the illegal use of copyrighted works, not illegal content, the principle established in this case could still be relevant.

merely aiming at punishing defendants) should be taken into consideration.[79] In other words damages can be awarded notwithstanding illegality, but the amount might for that reason be reduced.

d) Denial of damages as the generally-accepted view in China

The denial of damages in cases of offending works has been commonly recognized in China. In the WTO disputes, the Chinese government pointed out that economic interests of the copyright holder in offending works are "pre-empted by public prohibition,"[80] and denial of damages causes merely "negligible implications in the marketplace."[81] Therefore, even if the remedy of damages is available, the claim for damages cannot be granted anyway. Professor Qian Wang explained further that "since the principle of compensatory damages in case of copyright infringement is to make up the losses suffered by the copyright holder from the infringement," given that the copyright holder may not profit legally from the publication of offending works anyway, no losses can be incurred; thus no harm was ever sustained or to be compensated.[82] Awarding damages means that the copyright owner actually profits by covert means from the publication and dissemination of the offending work, which in effect should be prohibited by law. Meanwhile, administrative departments should confiscate the profits of the infringer as illegal income.

It is worth noting that unlike the issues of copyrightability and injunction, claims in relation to offending works, which in effect are impliedly already within the scope of Article 17 of the Berne Convention,[83] claims for damages can be treated differently and flexibly. As the international authority, Article 17 of the Berne Convention confirms that it is a governmental sovereign right to restrict and prohibit the positive exercise of and a damage-based remedy concerning, certain economic rights with respect to the circulation of copyrighted offending works for public policy concerns. The Fifth Circuit in the *Mitchell Brothers* case recognized that the U.S. Congress has authority to decide the means by which the constitutional goals of creativity would be best achieved.[84] The same is also consistent with the Berne Convention where the Chinese government chooses

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79 4 NIMMER & NIMMER, *supra* note 74, § 14.04[C][3][b], 14-93, at 14-94, 14-95.

80 China's first written submission ¶ 280; China's rebuttal submission ¶ 319 (citing WTO Panel Report, *supra* note 4, ¶ 7.134).

81 China's rebuttal submission ¶ 73; China's response to Question No. 44 (citing from WTO Panel Report, *supra* note 4, ¶ 7.134.

82 QIAN WANG 2009, *supra* note 67, at 30.

83 *See supra*, Part II.B.1 (*Interpretation of Article 17 of the Berne Convention*); Part II.C.1.b (*Boundary of Article 17 of the Berne Convention*).

84 Mitchell Bros. Film Grp. v. Cinema Adult Theater, 604 F.2d 852, 860 (5th Cir. 1979).

to impose content-based restrictions on the positive exercise of copyright of offending works and to deny compensation for the unauthorized publication and dissemination, which are prohibited by other laws. After all, these are matters of national public policy and there does not have to be and cannot be only one right answer applied universally.

3. Conclusion

To conclude, in responding to the WTO ruling by deleting Article 4(1) of the Copyright Law 2001, the Chinese Copyright Law 2010 now accepts the subsistence of copyright in offending works. In the meantime, according to Article 17 of the Berne Convention, with respect to offending works, legislative restrictions on the remedies for and exercise of such copyright may only be subject to limited economic rights, the achievement of which may otherwise endanger public interests and derogate grossly from social value. As a result, certain positive competences prohibited by other laws or administrative regulations due to prohibited content, in particular, self-publication or distribution, licensing, and claims for damages, cannot be exercised. In contrast, other competences, either positive or negative, in particular, to require eliminating present infringement and desisting from potential repeated infringement by third parties, still fall within Chinese copyright protection.

III. PRACTICAL INFLUENCES OF CONTENT CENSORSHIP ON COPYRIGHT PROTECTION IN CHINA

A. Practical Significance of Copyright Protection for Offending Works

Since no single case has actually occurred in China where the author of an offending work has claimed remedies in court, it is difficult to determine clearly whether and to what extent copyright can be exercised and enforced. However, it seems that such protection would be of little practical consequence. First, although the author of an offending work may theoretically transfer certain economic rights or license the exploitation of a copyright to others, such a transfer or licensing would still be declared illegal or invalid in violation of the Constitution and other law. Second, damages compensation will be denied. Where offending works are prohibited from publication and dissemination, no legitimate profits from publication and dissemination ever exist. Thus in case of copyright infringement by unauthorized publication and dissemination, no damages can be granted since no losses were ever sustained. Third, injunction is not practically valuable. Above all, without copyright protection the competent administrative departments may still prohibit the publication and dissemination of offending works by applying administrative laws and

regulations, which are usually more effective than judicial remedies.[85] Finally, copyright owners are largely unwilling to enforce copyright of offending works. For certain types of works in China, particularly those opposing Marxist-Leninist ideology, the socialist system, and the leadership of the Communist Party of China, the main purpose is public dissemination rather than financial profits. Because of the prohibition of the Chinese government, pirate copies are a good way to spread information. Thus, the author would probably be unwilling to stop pirate copying, let alone make a claim for damages. All in all, in accepting the copyrightability of offending works, the symbolic meaning could be greater than practical significance.

B. Judicial Protection of Unreviewed Works and Those Pending Review

As mentioned above, since the Chinese government comprehensively supervises the publication and dissemination of certain types of works, in particular audiovisual works and foreign works, these can only then be imported, published, distributed, and disseminated after the required content review and approval procedure has been successfully carried out. Consequently, on the one hand, although foreign copyright owners might have no intention to access the Chinese market, or despite the intention, no proper business partners have been found, or the review and approval procedure is still in progress, it is very likely that certain foreign published works have already been pirated or disseminated online within China without authorization. On the other hand, even if a foreign audiovisual work is authorized by the copyright owner for publication and dissemination in China, it is still regarded as an "illegal circulation" due to absence of successful content review and approval and it can be prohibited by the competent administrative department in China.[86]

The question is therefore whether unreviewed works and those pending review are copyrightable and protectable under the Chinese Copyright Law, in particular in the case of copyright infringement, whether the copyright owner of works without a successful content review is entitled to make a claim for remedies. Here, the answer is positive.

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[85] In the WTO disputes, the Chinese government was of the opinion that, "given that China prohibits publication of the content at issue entirely, and rigorously enforces that prohibition, it has provided a procedure for 'effective action' against any attempt to publish that content"; Chinese rebuttal submission ¶¶ 309-311(citing WTO Panel Report, *supra* note 4, ¶ 7.164).

[86] *See* Notice of the State Administration of Radio Film and Television of China Concerning Regulations of Online Management of Foreign Audiovisual Works (May 9, 2014), *available at* http://www.sarft.gov.cn/articles/2014/09/05/20140904102409770812.html (confirming that without relevant licences for publication and dissemination, no foreign audivisual work shall be disseminated via the Internet).

First, the Chinese government stated expressly in the WTO disputes that "unpublished works are protected, foreign works not yet released in the Chinese market are protected, and works never released in the Chinese market are protected"[87] On this matter, no conclusion has been drawn by the WTO Panel.[88] On this subject of illicit and immoral content, the United States did not cite a single case where remedies had been refused on the grounds of an absence of a completed content review.[89] Along with the confirmation of the copyrightability of works with illicit and immoral content by the revision of the Chinese Copyright Law 2010, it is reasonable to assume that works without a completion of content review required are also entitled to copyright protection.

Second, courts have gradually been inclined to recognize copyright protection of unreviewed works and works pending review.[90] The Supreme People's Court ("SPC") eventually confirmed this principle in *Zhong Kai Co. v. Shui Mu Nian Hua Internet Cafe*, ruling that "the copyright enforcement by the copyright owners of foreign audiovisual works is not subject to the administrative review and approval as conditional formalities."[91] In other words, the SPC held, in the case of unreviewed works

87 China's rebuttal submission ¶ 239 (WTO Panel Report, *supra* note 4, ¶ 7.118.

88 WTO Panel Report, *supra* note 4, ¶ 7.153 ("The Panel has already ruled on that issue in its consideration of the claim under Article 5(1) of the Berne Convention (1971), as incorporated by Article 9.1 of the TRIPs Agreement. Additional findings regarding this claim under Article 5(2) of the Berne Convention (1971), as incorporated by Article 9.1 of the TRIPs Agreement, would not contribute further to a positive solution to this dispute. Therefore it is unnecessary for the Panel to rule on this claim.").

89 However, there are in fact very few courts in China, which have been of the opinion that works without completion of content review required cannot be legally disseminated and the copyright owner is not able to enforce the copyright in China. *See, e.g.*, LanZhou Intermediate People's Court (holding "with respect to the TV series *Legend of Bruce Lee* 李小龙传奇] and *Make a Living in Guan Dong* [闯关东], Wang Shang Co. did not provide that the rightholder has obtained the Licence for Public Projection of Movies. Therefore the right of communication to the public via information network cannot be legally enforced, regardless of whether Wang Shang Co. is legally authorized by the copyright owners of these two TV Series."); (兰法民三初字第045号民事判决) [Lan Fa Min San Chu Zi Civil Decision] no. 045 (Gan Su Lan Zhou Intermediate People's Court, (2010), *rev'd*, Gan Su High People's Court, People's Court (Sept. 1, 2010), *available at* http://ipr.court.gov.cn/gs/zzqhljq/201101/t20110109_100224.html.

90 *See, e.g.*, 英皇.龙影业公司诉PPLive案 [YingHuang v. PPLive] (Shanghai Pudong Xin Qu People's Ct. 2010); 浦民三(知)初字第284号 [Pu Min San (IP) Chu Zi no. 284], *available at* http://pdiprlaw.org.cn/pdcqw/web2011/xxnr_view.jsp?pa=aaWQ9NDEyNzAmcGg9MQPdcssPdcssz.

91 中凯公司与水木年华网吧等著作权侵权案 [*Zhong Kai Co. v. Shui Mu Nian Hua Internet Cafe*] 民提字第39号 [Min Ti Zi no. 39] (Sup. People's Ct. (2010) (citing 奚晓明 (Xiaoming Xi), (孔祥俊 (Xiangjun Kong),

and those pending review, that remedies against copyright infringement, including injunction and damage compensation should be principally available.

C. *Damage Compensation for Unreviewed Works and Those Pending Review*

It used to be controversial whether damage compensation relating to a work's lack of content review should be given due to unauthorized publication and dissemination in China. If the anwser is yes, what are the legal grounds and how should courts calculate the exact amount of compensation?

1. *Availability of Damage Compensation*

Judge Qin is of the opinion that:

> Liability for damages under Chinese copyright law is based on the compensatory principle, and since no legitimate economic interests can be obtained by publication and dissemination within China of foreign audiovisual works without administrative approval, no actual losses can be made by the infringing acts of the infringer. Thus remedies such as injunction and compensation of reasonable expenses can be available, but no damage compensation should be awarded . . ..; besides, the profits gained by the infringer due to infringement should be confiscated as illegal income by courts, not rendered to the copyright owners as compensatory compensation. Otherwise infringement becomes a "covert importation of foreign audiovisual works" and a grey access to illegal profits from unapproved exploitation of foreign works in China.[92]

This opinion has been reflected in the case of *Zhong Kai Co. v. Shui Mu Nian Hua Internet Cafe*, where the copyright infringement occurred before the foreign audiovisual work at issue had been approved for publication and dissemination in China. The court of first instance awarded RMB 20,000 damages to the plaintiff, while the court of second instance held that no remuneration can be obtained by the plaintiff from commercial activities concerning the right of communication to the public via the Internet without the necessary administrative approval for movie projec-

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最高人民法院知识产权审判案例指导（第三集）) [THE SPC DECISION GUIDELINES FOR INTELLECTUAL PROPERTY CASES, pt. 3, at 203-08 (2011) (where the copyright infringement occurred before the approval of the publication and dissemination in China of the foreign audiovisual work at issue).

[92] Xiaoshuang Qin (秦小双), Judge of the HuBei High People's Court, 未经审批的境外影视作品侵权裁判标准 [*Determination Standards of Copyright Infringement with Respect to Foreign Audiovisual Works Without Approval*, 中国知识产权报 [CHINA IP NEWSPAPER], 维权周刊 [WEIQUAN WKLY. PAPER] ((2011), http://www.cipnews.com.cn/showArticle.asp?Articleid=22270.

tion and therefore no damages can be awarded. The court of second instance finally awarded only RMB 1,000 to the plaintiff as reasonable expenses and confiscated RMB 1,000 from the defendant as illegal income.[93]

However, the decision of the court of second instance has been overturned by the SPC. It held that "the copyright enforcement by the copyright owners of foreign audiovisual works is not subject to the administrative review and approval as conditional formalities" and awarded RMB 2,000 as compensatory damages.[94] This decision provides direct guidelines for lower courts in similar cases in future: damages caused by copyright infringement with respect to foreign works pending review or unreviewed works can also be awarded regardless of absence of administrative review and approval.

2. Calculation Methods

As for how to calculate the exact amount of damages infringed, Article 49 of the Chinese Copyright Law 2010 states:

> Where a copyright or a copyright-related right is infringed, the infringer shall compensate for the actual losses suffered by the rightholder; where the actual losses are difficult to compute, damages shall be paid on the basis of the unlawful profits of the infringer. The amount of damages shall also include the appropriate fees paid by the rightholder to stop the infringing act. Where the rightholder's actual losses or infringer's unlawful profits cannot be determined, the People's Court shall judge the damages not exceeding RMB 500,000 depending on the circumstances of the infringing act.

According to the above stipulation, there are in general three ways for Chinese courts to compute damages due to copyright infringement: 1) actual losses of the copyright owner, 2) infringer's profits, and 3) statutory compensation, which should apply for the damage calculation in case of copyright infringement with regards to unreviewed works and those pending review too.

a) Actual losses

First, actual losses cannot be computed in relation to the copyright infringement of unreviewed works and those pending review. As mentioned above, because the copyright owner is not entitled to profit from distribution and dissemination of his foreign audiovisual works within China without related administrative approval, no actual losses can be caused by the infringer's act and therefore the calculation cannot based on the actual losses of the said copyright holder.

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93 *Zhong Kai Co.*, Min Ti Zi no. 39.

94 *Id.*

b) Infringer's profits

Second, an infringer's profits can be another consideration computing the amount of damages. The SPC awarded RMB 2,000 as compensatory damages in *Zhong Kai Co. v. Shui Mu Nian Hua Internet Café*, which were the sum of the infringer's profits (RMB 1,000) and the plaintiff's reasonable expenses (RMB 1,000). Therefore it seems that the SPC has used the infringer's profits to compute damages caused by copyright infringement concerning works that lack content review and administrative approval.

Judge Jianjun Zhu goes one step further and holds:

> Because the profits gained by the infringer are at the expense of the infringed economic rights of the copyright owner, the court may therefore award the infringer's profits to the plaintiff; if the amount of infringer's profits cannot be determined, the court may estimate a sum as infringer's illegal income based on the individual circumstances.[95]

An infringer's profits can be regarded as a way of computing damages without doubt. However there is neither legal ground for court to estimate a sum nor the illegal income of the infringer. On the contrary, provided both actual losses and infringer's profits can be clearly determined, the only way available according to the Chinese Copyright Law to calculate the amount of compensation shall be statutory compensation.

c) Statutory compensation

Third, the amount of damages shall be computed by way of statutory compensation, provided that the actual losses and infringer's profits cannot be determined. The Shanghai Pudong Xin District People's Court held in the case of *Ying Huang v. PPLive*, that since neither acutal losses suffered from copyright infringement nor infringer's profits could be proved, taking into consideration the popularity of the film, its type of subject matter, production costs, completion and premiere time, business scale of the defendant's website, its influence, degree of defendant's fault, duration of the infringing acts, play times, and advertisement fees, as well as the plantiff's reasonable expenses to investigate and stop the infringement, etc., the court awarded a statutory compensation in the amount of RMB 33,000 to the plaintiff.[96] In intellectual property infringement cases, including copyright disputes in China, the amount of damages is mostly determined based on the statutory compensation by the Chinese courts,

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[95] Jianjun Zhu, *supra* note 56; *see also Ying Huang*, Chu Zi no. 284, where damages in the amount of RMB 33,000 were awarded due to the infringement of the plaintiff's right of communication to the public via information network, although no license for public transmission had been issued in advance.

[96] 英皇.龙影业公司诉PPLive案 [YingHuang v. PPLive] (Shanghai Pudong Xin Qu People's Ct. 2010).

because the parties are often unable to or sometimes not willing to prove the actual losses or infringer's profits.

However, there are three problems with the statutory compensation worth noting. One is legal uncertainty. As the amount of statutory compensation depends on the particular circumstances of the infringing acts, as well as judges' independent evaluation and discretion, it is very likely that the damages awarded by different courts would vary a great deal in the same case. The second concern is the RMB 500,000 ceiling of the statutory damages set up under the Chinese Copyright Law (equivalent to around U.S. $80,000).[97] Subject to the fixed ceiling of statutory compensation, in most cases damages awarded based on statutory compensation by the Chinese courts are relatively low. For example in the *YingHuang v. PPLive* case mentioned above, RMB 33,000 damage awards might not even be sufficient to cover the expenses the copyright holder has paid for the said lawsuit. Third, the people's court normally take into account comprehensive considerations of "the type of the work, reasonable licence fees, nature and consequences of the infringing act, etc.," when determining the amount of compensation.[98] Therefore the absence of adminstrative review and approval could be an important consideration. Comparing the audiovisual works' lack of content review, approval of those in possession of the approval, the amount of compensation rendered to the former could be probably deducted due to the outstanding content review and administrative approval. As a result, it cannot be assumed that the fact of non-completion of content review and administrative approval has no influence on computing the amount of damages based on rules of statutory compensation.

d) Licence fees

Finally, it is suggested that:

> If the copyright holder of foreign audiovisual works licenses a Chinese domestic website to communicate the work to the public via internet, the licensing agreement is valid and the foreign copyright holder is entitled to collect licence fees, as long as the content of the work itself is not illegal or immoral. . .. Unauthorized dissemination of this work would deprive the copyright holder of reasonable opportunities to obtain

[97] The ceiling of the statutory compensation has been recommended to rise to RMB 1,000,000 according to Article 76(1) of the revised draft of Chinese Copyright Law (the third revised version) (June 10, 2014, *available at* http://www.gov.cn/xinwen/2014-06/10/content_2697701.htm.

[98] Interpretation of the Supreme People's Court Concerning the Application of Laws in the Trial of Civil Disputes over Copyright art. 25 (issued Dec. 12, 2002 by the SPC).

licence fees, the losses caused by which should be therefore compensated based on particular circumstances and evidences.[99]

According to the current Chinese Copyright Law, however, licence fees are not a statutory method to calculate compensation. It is yet to be clarified and confirmed by the revision of the copyright law whether licence fees can be a legal basis for compensation calculation. Although in Article 25 of the Interpretation of the SPC,[100] the SPC stated that reasonable license fees shall be taken into consideration when determining the amount of statutory compensation; however, it is only one of the considerations rather than one independent calculation method in addition to actual losses and infringer's profits.

The authors agree with the suggestion that damages should be awarded to unreviewed works and those pending review, because the copyright holder indeed lost the opportunity to collect license fees due to the unauthorized publication and dissemination. However, the authors believe: first, such compensation is not conditioned on an existing licensing agreement between the foreign copyright holder and a Chinese domestic communication agency, i.e., damages may still be awarded without a licensing agreement, by referring to the licence fees rate for dissemination within China for works with of same type. Second, the compensation awarded can be in principle more than normal licence fees and even multiple times more than the amount of licence fees as long as it is reasonable. If the infringer only needs to pay a normal licence fee to compensate the injuries caused by his infringing acts, for which he should have paid in the first place, prior to the use, such compensation can hardly impose any deterrent effect on the infringer to effectively prevent his further infringing acts from happening again. Indeed, it has been suggested in the third revision draft of the Chinese Copyright Law: in violating copyright or related rights, the copyright holder may choose a reasonable multiple of costs as a legal basis when computing amount of compensation.[101] If this draft of the revision can finally be approved, copyright enforcement in China, including the remedies for damages compensation, would be improved substantially and thereby efficient remedies may be available even for unreviewed works and those pending works as well.

However, it is still necessary to determine whether unreviewed works and those pending review, local or foreign, could constitute offending

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99 QIAN WANG 2013, *supra* note 64, at 73.

100 *See supra* note 98.

101 Article 76(1) of the third revised draft of Chinese Copyright Law, *supra* note 97, reads: "in violating copyright or related rights, the rightholder may require actual losses, infringer's profits, and, as reasonable, multiple times the transaction costs or statutory compensation, amounting to no more than RMB 1,000,000 as damage compensation."

works with illegal or immoral content at the same time, and if the courts have the authority to examine the content legality of the work at issue for public policy concerns. Jianjun Zhu, for instance, held that where the copyright owner of foreign audiovisual works without approval makes a claim for damages:

> The court has jurisdiction to determine whether the content of the work is legal according to social mores and public interests; if the content is considered illegal or immoral by the court, claims for damages should be refused. The court may decide to confiscate the illegal income and illegal products of the infringer and issue judicial recommendation notice to the relevant departments to ascertain the administrative and/or criminal liabilities.[102]

IV. CONCLUSION

China has always maintained a relatively strict governmental content review and approval system, and has prohibited works with forbidden content from publication and dissemination. Although the principle of automatic protection was established by the Copyright Law 1991, the regulation that "works the publication or dissemination of which are prohibited by law shall not be protected" under Article 4(1) in essence denied copyrightability of offending works. Pursuant to the WTO ruling China has deleted this provision in the revision of Copyright Law 2010 so that offending works are still copyrightable and injunction may be granted, but awards of damages will be denied. As for foreign and local unreviewed works and those pending review whose publication and dissemination are subject to pre-review and approval procedures, the copyright holder is still entitled to copyright protection, claims for injunction, and damages against copyright infringement, which should be granted by the people's courts. However, the courts have the authority to examine the content legality of such works for public policy concerns. If the court finds the content illegal, its publication and dissmination are prohibited, and an award of damages will be refused, but the injunction should be available.

In conclusion, China failed in the WTO disputes with the United State regarding copyright issues involving Article 4 of the Chinese Copyright Law 2001 and this provision was revised in 2010 pursuant to the WTO ruling. However, it brings neither many positive effects for copyright protection of offending works, nor does it weaken the strict content-review system for publication and dissemination of literary and artistic works (in particular foreign literary and audiovisual works) in China. In all, the practical significance of deleting Article 4(1) of the Chinese Copyright Law 2001 is much less than its symbolic meaning.

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102 Jianjun Zhu, *supra* note 56.

PART III

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

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U.S. Copyright Office Announces Kaminstein Scholar, Zvi Rosen of Hofstra University. Register of Copyrights Maria A. Pallante today announced that Professor Zvi Rosen will serve as the Abraham L. Kaminstein Scholar in Residence at the U.S. Copyright Office during the 2015–16 academic year. Rosen is currently a visiting scholar at the Maurice A. Deane School of Law at Hofstra University. He has taught at New York Law School and the University of New Hampshire School of Law. Rosen is the author of numerous scholarly papers, and in 2013 received the Copyright Society of the U.S.A. Charles B. Seton Award for his article, *Reimagining* Bleistein*: Copyright for Advertisements in Historical Perspective.* He holds a J.D. from Northwestern University School of Law and an LLM from the George Washington University Law School where he was awarded the Finnegan Prize for the best paper in intellectual property. In his service as Kaminstein Scholar, Rosen will focus on empirical information and metadata concerning public access to pre-1978 copyright data, drawing on the vast legal records of the Copyright Office. His research will include developing appropriate benchmarks and procedural standards. " Rosen follows Robert Brauneis of the George Washington Law School who served as Kaminstein Scholar from 2013 to 2014.

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Copyright Royalty Judges Announce Proceeding to Determine Distribution of 2013 Cable and Satellite Royalties, 80 Fed. Reg. 32,182-83. The Copyright Royalty Board has commenced a proceeding to determine distribution of 2013 cable and satellite retransmission royalties deposited with the Copyright Office under sections 111 and 119 of the Copyright Act. Parties who wished to participate had to file a petition and a filing fee no later than July 6, 2015. The judges seek a single petition to participate at any stage of the cable royalty proceeding and a separate petition to participate at any stage of the satellite royalty proceeding. For details, go to http://www.loc.gov/crb/fedreg.

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Adjustment of Cable Statutory License Rates. 80 Fed. Reg. 35, 403-44. The Copyright Royalty Judges announce the commencement of a proceeding to adjust the rates for the cable statutory license described in section 111 of the Copyright Act. The Judges also announce the date by which a party who wishes to participate in the proceeding must file its Petition to

Participate and pay the $150 filing fee. For details go to http://www.loc.gov/crb/fedreg/2015/80FR35403.pdf.

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37 CFR Part 383. Determination of Terms and Royalty Rates for Ephemeral Reproductions and Public Performance of Sound Recordings by a New Subscription. 60 Fed. Reg. 36,927-28. The Copyright Royalty Judges publish final regulations that set the rates and terms for the use of sound recordings via digital transmissions made by new subscription services and for the making of ephemeral recordings to facilitate those transmissions during the period commencing January 1, 2016, and ending on December 31, 2020. For details go to http://www.loc.gov/crb/fedreg/2015/80FR36927.pdf.

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Copyright Office Requests Public Comment on Mass Digitization Pilot Program. The U.S. Copyright Office has published a Federal Register notice requesting written comments to assist it in developing draft legislation that would establish a legal framework for certain mass digitization activities. For the past several years, the Office has been exploring ways to facilitate and support mass digitization projects serving the public interest while appropriately balancing the interests and concerns of copyright owners. In its recently issued Orphan Works and Mass Digitization Report, the Office proposed the creation of a limited "pilot program" that would allow certain types of mass digitization projects to be authorized through a system known as extended collective licensing (ECL). The ECL pilot program recommended by the Office would enable users to digitize and provide access to certain works for research and education purposes under conditions to be agreed upon between rightsholder and user representatives.

Because the success of such a system depends on the voluntary involvement of both copyright owners and users, the Office is inviting public comment on several issues concerning the scope and operation of the pilot program. The Office will then seek to facilitate further discussion through stakeholder meetings and, if necessary, additional requests for written comment. Based on this input, the Office will draft a formal legislative proposal for Congress's consideration. Written comments were due on or before August 10, 2015.

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Copyright Office Releases Report on Orphan Works and Mass Digitization. The U.S. Copyright Office today released Orphan Works and Mass

Digitization: A Report of the Register of Copyrights. The Report documents the legal and business challenges faced by good faith users who seek to use orphan works and/or engage in mass digitization projects. It provides a series of legislative recommendations that offer users a way forward out of gridlock, but also take into account the legitimate concerns and exclusive rights of authors and other copyright owners.

The Copyright Office has long held the view, which it reiterates in the Report, that too many valuable projects are forestalled because users can neither locate the rightsholders nor protect themselves or their licensees from ongoing exposure to liability. Similarly, recent litigation has highlighted a gap in the law regarding how to fully facilitate mass digitization projects that are in the public's interest without undermining the rights of copyright owners, including the right to be fairly compensated.

With respect to orphan works, the Report provides draft legislation that draws upon the Shawn Bentley Orphan Works Act passed by the Senate seven years ago, albeit with some updates and changes that reflect intervening developments and public discussions.

With respect to mass digitization, the Report recommends a more incremental approach that would allow the United States to gain experience with an extended collective licensing framework that is in use or under consideration elsewhere in the world. The Office suggests a "pilot program" that would enable users to digitize and provide access to certain works for research and education purposes under conditions to be agreed upon between rightsholder and user representatives. To assist it in developing appropriate legislation, the Office is issuing a Notice of Inquiry contemporaneously with the Report, inviting public comment on various issues concerning the scope and administration of such a program.

The full report is available at http://www.copyright.gov/orphan.

PART IV

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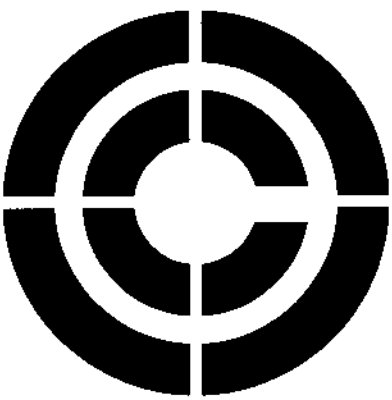
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FROM THE DESK OF THE CO-EDITORS-IN-CHIEF

Part I of volume 62, Issue 4, contains articles by four law professors, two from the U.S. and two from overseas. It begins with *A Brief Illustrated Chronicle of Retroactive Copyright Extension* by Professor Robert Brauneis of The George Washington University Law School. In his article, Professor Brauneis discusses prospective and retrospective maximum copyright terms since 1978, remarks on the difference between maximum and actual copyright terms, and then looks ahead, explaining "why the next time we will know whether prospective and retrospective terms once again coincide — assuming there is no further retroactive legislation in the meantime — is midnight on December 31, 2068." He concludes: "[P]ublishers are not very interested in prospective term extension. If it is the prospect of retroactive extension that has motivated the increase in copyright term, then it may be the prospective extension that is the afterthought, motivated less by equality than by avoiding the perception of naked greed."

U.S. copyright law is also the subject of *[Un]Happy Together: Why the Supremacy Clause Preempts State Law Digital Public Performance Rights in Radio-Like Streaming of Pre-1972 Sound Recordings* by Professor Julie L. Ross, which discusses the relevant portions of the legislative history of the 1995 Digital Performance Rights Act and the supremacy clause preemption of state laws, before dealing with the problems caused by leaving the rights to pre-1972 records unprotected by federal copyright law. She maintains that this situation allows individual state courts to "craft a patchwork of inconsistent remedies [that] would disrupt the balance struck by Congress and interfere with the functioning of the compulsory license system for digital performances of sound recordings." She concludes that dealing with pre-1972 recordings should be left to Congress, which "should of course take into consideration the competing interests that it balanced in enacting the 1995 DPRA and in crafting the statutory license," but also "consider the rising popularity of streaming as a substitute for sales of music and the economic effect of precluding the owners and performers of pre-1972 sound recordings from this revenue stream, recognizing the importance of many of these works to our nation's cultural heritage."

The first overseas article in the issue, *Restructuring the Economic Rights in Copyright – Some Reflections on an "Alternative Model"*, is by Prof. Ole-Andreas Rognstad, a professor at Oslo University. The author maintains that the "current structuring of the economic rights is a serious obstacle both to explaining the essence of copyright law to the public be-

ing affected by it 24/7 and to getting a proper grip on the emerging problems." He suggests that the current "'six stage structure' (exclusive rights/exceptions, protection of DRMs/exceptions, secondary liability/safe harbors)" be replaced by a "a one-stage structure predicated on the notion that right holders have exclusive rights to a reasonable exploitation, drawing in this respect also on the criteria of the 'three step test(s)' of the international conventions." Professor Rognstad maintains that his new alternative model: "is meant to comply with the basics of the three step test as the concept of 'reasonable exploitation' is intended to reflect the conventional requirements that third party uses must not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author."

The issue's final article, *Whose Works Must Not Be Broadcasted by Compulsory License in China? A Commentary on Article 49.2 of the Draft Amendment of China's Copyright Law* is by *Journal* editorial board member Professor Wang Qian of East China University of Political Science. In his article, the author criticizes the current version of Article 49.2 in the third draft amendment of the Chinese copyright law. He maintains that it unfairly treats Chinese copyright holders compared to foreign copyright holders, contends that it would force the Chinese broadcasting industry to negotiate with foreign copyright holders about obtaining licenses, and says that current practice for paying foreign copyright holders for compulsory licenses will be destroyed. Accordingly, he advocates deleting Article 49.2 from the third draft amendment.

The issue concludes with Part II, a review by Andrea Rush of *What's Wrong with Copying?* by Professor Abraham Drassinower, and published this year by Harvard University Press; Part III, Administrative Developments; and Part IV, the Bibliography.

As always, your comments and suggestions are welcome.

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PART I

ARTICLES

A BRIEF ILLUSTRATED CHRONICLE OF RETROACTIVE COPYRIGHT TERM EXTENSION

by ROBERT BRAUNEIS*

At least since the Supreme Court's 2003 decision in *Eldred v. Ashcroft*,[1] it has been widely known that whenever Congress has extended copyright terms, it has done so retroactively, granting the benefit of the extension to all works still under copyright on the effective date of the extension.[2] However, I have never found succinct, complete tables and charts detailing the periods during which works received various copyright terms given the retroactive effect of all extension legislation.[3] It is the

*Professor of Law and Co-Director of the Intellectual Property Law Program, The George Washington University Law School. I would like to thank Laura Gasaway, Ellen Goodman, Peter Hirtle, Tyler Ochoa, Zvi Rosen, Roger Schechter, and Elizabeth Townsend-Gard for perceptive comments that greatly improved this article, and David Micklethwait for important details about Noah Webster and the Copyright Act of 1831. I would like to thank Hersh Acharya for research assistance. For financial support, I would like to thank Dean Blake Morant. I performed some of the research presented in this article while I was the Kamenstein Scholar in Residence at the U.S. Copyright Office. For support in that position, I would like to thank the Register of Copyrights, Maria A. Pallante.

1 537 U.S. 186 (2003).

2 *See, e.g.*, *id.* at 200 ("History reveals an unbroken congressional practice of granting to authors of works with existing copyrights the benefit of term extensions so that all under copyright protection will be governed even-handedly under the same regime."); *id.* at 237 (Stevens, J., dissenting) ("To be sure, Congress, at many times in its history, has retroactively extended the terms of existing copyrights and patents."); Tyler Ochoa, *Patent and Copyright Term Extension and the Constitution: An Historical Perspective*, 49 J. COPYRIGHT SOC'Y 19, 26-46 (2001) (discussing retroactive extension of copyright term by means of general laws).

3 Laura Gasaway and Peter Hirtle have provided useful charts detailing when works pass into the public domain. *See* Laura Gasaway, When U.S. Works Pass into the Public Domain, http://www.unc.edu/~unclng/public-d.htm (last updated Nov. 4, 2003); Peter B. Hirtle, Copyright Term and the Public Domain in the United States, https://copyright.cornell.edu/resources/publicdomain.cfm (last updated Jan. 3, 2015). However, those charts focus on the present and the future, and therefore do not give a complete historical perspective. Tom Bell has created a chart that comes closest to providing that historical perspective. *See* Tom W. Bell, Trend of U.S. Maximum General Copyright Term, http://www.tomwbell.com/writings/(C)_Term.html (last visited Oct. 12, 2015). That chart, however, is not accompanied by exact dates, nor by an explanation of which events start the copyright term clock running, or which pieces of legislation combined to create all of the terms and the periods during which those terms were valid.

modest aim of this article to provide that information, and to provide some examples of the operation of retroactive term extension.

Although this article does not advance any particular thesis on the subject of copyright terms, as an enticement to read further, I will suggest that chronicling the reach of retroactive copyright term extension not only helps to figure out when particular works entered the public domain, but leads to some interesting general observations. For example, it may not have previously struck many that July 1, 1867, is a significant date in copyright history, and yet it is, because it is the last date on which copyright term expectations coincided with copyright term reality. Those who acquired federal copyright protection for their works on July 1, 1867, expected to get a maximum of forty-two years of protection, because that is the term that the Copyright Act provided for at the time. That is exactly what they got: copyright in all works in which protection was acquired on July 1, 1867, did indeed expire by June 30, 1909 — forty-two years later. From July 2, 1867, to the present day, however, retroactive term extension has made every work that has acquired federal copyright protection eligible for a longer term than the term in force when it acquired that protection.

Correlatively, although it is frequently mentioned that the maximum term of copyright under the Copyright Act of 1909 was fifty-six years, not a single work that gained federal copyright protection while the 1909 Act was in force, from July 1, 1909 through December 31, 1977, ended up receiving a copyright term of fifty-six years. All such works ended up being eligible to receive either seventy-five or ninety-five years of protection. The works that ended up receiving fifty-six years of protection gained federal copyright protection during an earlier period, between July 2, 1867 and September 19, 1906.

Part I of this Article addresses the prospective and retrospective maximum terms of copyright for works acquiring federal copyright protection from 1790 to 1977. It presents one chart and one table summarizing that protection, and then presents the statutory interpretation underlying that chart and table while adding some details that cannot be accommodated in simple graphic form. Part II summarizes prospective and retrospective maximum copyright terms from 1978 to the present. Part III provides a few remarks on the difference between maximum and actual copyright term. Part IV concludes by looking to the future, and explaining why the next time we will know whether prospective and retrospective terms once again coincide — assuming there is no further retroactive legislation in the meantime — is midnight on December 31, 2068.

Figure 1: Maximum Term of Copyright, Prospectively Announced and Actual, For Works Acquiring Federal Copyright 1790-1977

from Robert Brauneis, A Brief Illustrated Chronicle of Retroactive Copyright Term Extension

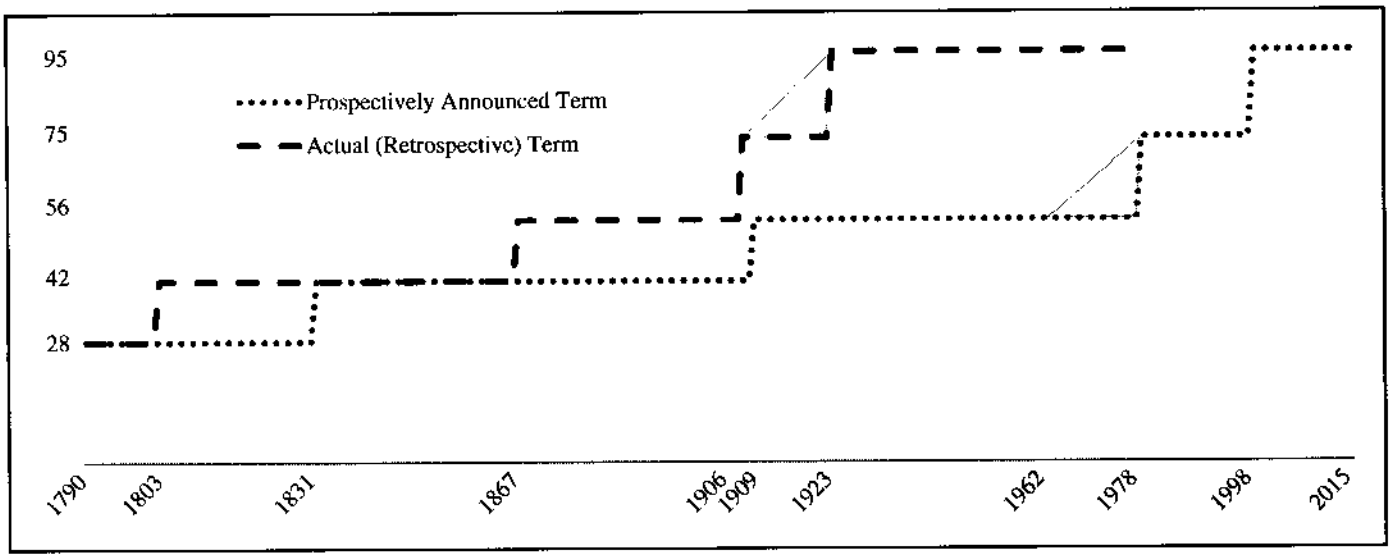


Table 1: Periods During Which Various Terms of Copyright Were Available, for Works Acquiring Federal Copyright 1790–1977

from Robert Brauneis, A Brief Illustrated Chronicle of Retroactive Copyright Term Extension

Period during which term was prospectively announced (dates during which legislation designating term was in force)	**Period during which term was actually (retrospectively) applied** (dates of registration or first publication of works receiving term given retroactive effect of legislation)	**Maximum Term (in years)**	**Some Details**	
			Original Term (in years)	**Renewal Term (in years)**
May 31, 1790 – February 2, 1831	May 31, 1790 – February 3, 1803	28	14 from date of registration	14 if author still alive at end of first term; fully assignable, devisable, descendible
February 3, 1831 – June 30, 1909	February 4, 1803 – July 1, 1867	42	28 from date of registration	14; renewal right to surviving author, or if author dead to surviving widow, child or children; for registrations before February 3, 1831, surviving author may have no right of renewal.
July 1, 1909 – September 18, 1962	July 2, 1867 – September 19, 1906	56	28 (from date of registration as retrospectively applied)	28
September 19, 1962 – October 26, 1998 (after 10 incremental increases in term)	September 20, 1906 – December 31, 1922	75	28 (from date of registration until July 1, 1909, then from date of publication with notice; for qualifying unpublished works, from date of deposit)	47 (plus until the end of the calendar year in which the renewal term ended) after 10 Acts beginning September 19, 1962 and ending October 19, 1976
October 27, 1998 - present	January 1, 1923 – December 31, 1977	95	28 (from date of publication with notice; for qualifying unpublished works, from date of deposit or registration; for works first acquiring federal copyright after January 1, 1950, until end of calendar year)	67 (plus until the end of the calendar year in which the renewal term ended) (automatic renewal effective for works gaining protection on or after Jan 1, 1964)

I. PROSPECTIVE AND RETROSPECTIVE COPYRIGHT TERM FOR WORKS ACQUIRING FEDERAL COPYRIGHT PROTECTION FROM MAY 31, 1790 THROUGH DECEMBER 31, 1977

Figure 1 and Table 1 show the periods during which various terms of federal copyright protection were available for works that acquired federal copyright protection from May 31, 1790 through December 31, 1977.[4] Figure 1 provides a rough overview of copyright terms that does not include exact dates, but only years. The dotted line shows the increases in term as they were prospectively announced, while the dashed line shows terms as they were retroactively applied. When the two lines converge, works ended up being eligible to receive the maximum term of copyright that was announced as being in force at the time copyright was acquired. When they diverge, works ended up being eligible to receive a longer term of copyright than that announced at the time of acquisition of copyright. The two periods during which expected copyright term equaled actual copyright term were 1790 to 1803 and 1831 to 1867. Thus, for two periods totaling about forty-eight years and ending in 1867, expected and actual copyright term coincided. For the two remaining periods that together span about 138 years — 1803–31 and 1867–1977 — actual copyright term ended up being longer than expected term. The shaded triangular areas acknowledge that Congress began to retroactively extend copyright term for works still under copyright in 1962, and incrementally extended that term nine times before reaching the seventy-five-year maximum announced in the Copyright Act of 1976. I will provide details about those incremental extensions below.

Table 1 starts to provide more detail. It fills in the exact dates during which particular maximum copyright terms were prospectively and retrospectively available. A general comment about these exact dates is in order. Before the first incremental extension of copyright term in 1962, the term of copyright was calculated to the exact day. Thus, for example, the

[4] As most readers will know, until January 1, 1978, unpublished works were protected under common law copyright, which at least now is thought to be exclusively a matter of state and not federal law. While some unpublished works could also be protected under federal law through registration, works first published after the effective date of the Copyright Act of 1790 – May 31, 1790 – could be protected only under federal law. *See* Wheaton v. Peters, 33 U.S. (8 Pet.) 591 (1834). Works that acquired federal copyright protection on or after January 1, 1978 will be treated separately below. The term of protection for a work in that latter category, when authored by an identified natural person, is measured by the life of the author plus a number of years, rather than a fixed number of years after acquisition of copyright, rendering unified graphic display of pre-1978 and post-1978 terms difficult.

reporter's note in the 1862 case of *Cowen v. Banks* explains that copyright in one of the works at issue in that case — a volume of cases decided in New York state courts, as reported by Judge Esek Cowen — was alleged to have expired on November 13, 1843.[5] Copyright registration records of the Southern District of New York include a record dated November 13, 1829 — exactly fourteen years earlier to the day — for volume IX of *Cowen's Reports*.[6] That practice continued under the Copyright Act of 1909 even though the general measuring date changed from the date of registration to the date of first publication — a date that was not necessarily contemporaneously recorded, and hence was in some cases difficult or impossible to ascertain. Hence, the 1973 Compendium of Copyright Office Practices stated: "Copyright begins on the date of first publication, as shown by the original application and other office records, and lasts for twenty-eight years *from that exact date*."[7]

When the Copyright Office began to consider revision of copyright law in the late 1950s and early 1960s, it recognized that determining exact dates of events other than registration was difficult, and therefore recommended having copyright expire at the end of the calendar year. Thus, the 1961 Report of the Register of Copyrights states:

> The copyright term now expires 28 or 56 years from the precise day of first publication or earlier registration.
>
> We propose that in all cases the term should run until the end of the calendar year in which it would otherwise expire. This provision, found in most foreign laws, would simplify the computation of the term. It would then be enough to determine the year, rather than the exact date, of the event from which the term is computed.[8]

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[5] *See* Cowen v. Banks, 6 F. Cas. 669, 669 (C.C.N.Y. 1862) (No. 3552).

[6] *See* 137 COPYRIGHT RECORD BOOKS OF THE DISTRICT COURTS 1790–1870 [hereinafter DISTRICT COURT COPYRIGHT RECORD BOOKS] (Southern District New York December 1828 – February 1831) (microfilmed on reel 30), no. 175; image *available at* http://docs.law.gwu.edu/facweb/rbrauneis/retroactive/CowenReg.pdf. The Library of Congress catalog record for the Copyright Record Books series is *available at* http://lccn.loc.gov/84114199; I have posted the thirty-seven-page catalog of those records at http://docs.law.gwu.edu/facweb/rbrauneis/retroactive/Catalog_of_District_Court_Copyright_Record_Books_1790_1870.pdf.

[7] *See* U.S. COPYRIGHT OFFICE, COMPENDIUM OF COPYRIGHT OFFICE PRACTICES [hereinafter COMPENDIUM I] § 11.1.1 (July 1, 1973) (emphasis added), *available at* http://copyright.gov/history/comp/compendium-one.pdf.

[8] COPYRIGHT LAW REVISION: REPORT OF THE REGISTER OF COPYRIGHTS ON THE GENERAL REVISION OF THE U.S. COPYRIGHT LAW 56 (Comm. Print 1961); *cf.* James J. Guinan, Jr., *Duration of Copyright, Study No. 30*, at 74 (Jan. 1957), *in* COPYRIGHT LAW REVISION: STUDIES PREPARED FOR THE SUBCOMMITTEE ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE COMMITTEE ON THE JUDICIARY, UNITED STATES SENATE, EIGHTY-SIXTH CONGRESS, SECOND SESSION PURSUANT TO S. RES. 240, STUDIES 29-31

The first incremental extension of the renewal term of copyright, passed on September 19, 1962 and applicable to all works still under copyright on that day, incorporated that proposal, and extended copyright in those works to December 31, 1965.[9] Subsequent incremental extensions also incorporated year-end expiration of copyright, as did the Copyright Act of 1976.[10] Thus, September 19, 1962, is the date of transition from exact-day to year-end expiration of copyright.[11]

Table 1 assumes that a year of copyright protection would not include both the date that the protection began and that same date one year later, but would rather terminate at the end of the day before the date of the first anniversary of the beginning of protection. In other words, copyright hypothetically acquired for a term of one year on January 1st of a given year would run through December 31st of that year, and would end at midnight — the moment that December 31st ended and January 1st of the next year began. If the term of copyright ran through January 1st of the next year, the grant would actually be for a year and a day.[12]

(Comm. Print 1961) ("In those countries which have adopted [a term based on the life of the author], the term is generally measured from the last day of the calendar year in which the author died, or the first day of the succeeding year, thus making it necessary to know only the year in which he died rather than the exact date. It might be worth considering this latter provision in connection with this or any of the other possible starting points for the term.").

9 Pub. L. No. 87-668, 76 Stat. 555 (1962).

10 *See infra*, note 58 (listing the incremental extensions); Pub. L. No. 94-553, §§ 304(a), 304(b), 305, 90 Stat. 2541, 2573-74, 2676 (providing for year-end expiration of copyright both retroactively and prospectively); H.R. REP. No. 94-1574, at 142 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659 (explaining the rationale of year-end termination) ("This will make the duration of copyright much easier to compute, since it will be enough to determine the year, rather than the exact date, of the event from which the term is based.").

11 The original term of copyright continued to be exactly twenty-eight years from the date that federal copyright was obtained until January 1, 1978, the effective date of the Copyright Act of 1976, which provided that the original term would also end at the end of the calendar year. *See* 17 U.S.C. § 305 (2012); H.R. REP. No. 94-1476, at 142-43 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5659, 5758-5759 (explaining some consequences of the shift from exact date to calendar year term end for the original term of works obtaining federal copyright protection before 1978). Thus, for all works that first obtained federal copyright protection on or before January 1, 1950, the original term ended exactly twenty-eight years from the date that federal copyright protection was obtained; for all works that obtained federal copyright protection on or after January 2, 1950, the original term ended at the end of the calendar year in which they would previously have expired.

12 In determining the period during which it was possible to file a renewal registration, the Copyright Office followed a more generous rule. According to

The "Some Details" column of Table 1 also notes that the maximum term has, until recently, not been a unified term, but has been composed of an initial or original term and a renewal term. The latter has been subject to various conditions and available to various parties over time. To explain and substantiate each of the entries in Table 1, and to add some additional details, I will address in turn each of the pieces of legislation that creates one or more entries in the table.

A. The Copyright Act of 1790

The Copyright Act of 1790 was signed into law on May 31, 1790.[13] To gain copyright protection under that Act, the author of a "map, chart, [or] book" or his assignee had to "deposit a printed copy of the title [thereof] in the clerk's office . . . of the district court where the author or proprietor shall reside."[14] The clerk then recorded that title, noting the date of re-

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the first *Compendium of Copyright Office Practices*, "The renewal year . . . comprises both the twenty-seventh and twenty-eighth anniversaries of the date on which copyright began," Compendium One, *supra* note 7, § 11.2.2, which of course adds up to a year and a day. In addition, "[i]f the original copyright expires on a Saturday, Sunday, or holiday within the District of Columbia, renewal action may be taken on the next succeeding business day." *Id.* § 12.2.2.IV. Presumably, neither of those sections extended the original term of copyright even if no renewal was made; rather, they rendered retroactively effective a renewal that was made a day or two after the end of the original term.

[13] *See* An Act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned, ch. 15, 1 Stat. 124 (1790) [hereinafter Copyright Act of 1790], *in* PUBLIC STATUTES AT LARGE OF THE UNITED STATES OF AMERICA, FROM THE ORGANIZATION OF THE GOVERNMENT IN 1789, TO MARCH 3, 1845, at 124 (Richard Peters, ed., 1845) [hereinafter PUBLIC STATUTES].

[14] *Id.* § 3. To maintain copyright protection, the owner of copyright also had to make sure that a copy of the record made by the clerk was published in one or more newspapers within two months, *see id.*, and to deliver a copy of the map, chart, or book to the Secretary of State within six months, *see id.* § 4. An amendment in 1802 added the further requirement of placing copyright notice in a required form in each copy of any book for which federal copyright protection was secured. *See* An Act supplementary to an act, entitled, "An act for the encouragement of learning, by securing the copies of maps, charts, and books, to the authors and proprietors of such copies, during the times therein mentioned," and extending the benefits thereof to the arts of designing, engraving, and etching historical and other prints, ch. 36, 2 Stat. 171 (1802) [hereinafter 1802 Amendment], *in* PUBLIC STATUTES, *supra* note 13, at 171. However, it was the deposit and recording of the title of the map, chart or book that triggered the term of copyright protection. *See, e.g.*, Guinan, *supra* note 8, at 58 ("[R]ecording of the title of the work in the office of the clerk of the District Court prior to publication was required to

cording, and an initial term of fourteen years of protection began on that date.[15] As noted above, the term was exactly fourteen years from the date of recordation — fourteen years to the day.

One example of how copyright term was calculated under the 1790 Act involves the very first book to gain federal copyright protection in the United States. On June 9, 1790, the Clerk of the District Court of Pennsylvania recorded John Barry's deposit of the title of his book *The Philadelphia Spelling Book*.[16] The last day of the first term of copyright for that book was therefore June 8, 1804, exactly fourteen years later. The Copyright Act of 1790 also provided for a renewal term of an additional fourteen years, on two conditions. First, at the end of the first term the author had to still be alive and be a citizen or resident of the United States. Second, within the last six months of the first term the title of the work had to again be deposited with the clerk of court.[17] The Act granted the renewal term to the author "or his . . . executors, administrators or assigns," thus making the renewal right fully assignable, devisable, and descendible.[18]

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secure copyright, and the term was measured from the date of recording the title, rather than from the date of publication as in the Statute of Anne and earlier State legislation.").

15 1802 Amendment § 1. As Copyright Office regulations later made explicit, "*The title is recorded on the day of its receipt in the Copyright Office*, in accordance with the provisions of the copyright statutes, and no date *prior* to the day of receipt can be given to the entry of title." *Directions for Registering Copyrights* 14 (May 1900), *in* A COMPILATION OF THE REGULATIONS CONCERNING COPYRIGHT 1874–1956, at 107 (1946) (emphasis added). Although the Copyright Act of 1790 speaks of "depositing" the title of a book, and of the clerk "recording" that title, those are both steps in what we would now call "registration"; modern copyright terminology reserves "deposit" for the process of submitting a copy or copies of a work, and "recording" for the process of placing on public record documents pertaining to copyright. However, the modern registration process involves examination of the deposit copy to determine whether it contains copyrightable subject matter; "registration" in the early nineteenth century had no examination component.

16 *See* FEDERAL COPYRIGHT RECORDS, 1790–1800, at 1 (James Gilreath, ed. & Elizabeth Carter Wills, comp. 1987) (presenting an entry from the Pennsylvania District Court Ledger, 262 PA 1, which notes that on June 9, 1790, the title of *The Philadelphia Spelling Book* was deposited, listing John Barry as both the claimant and author).

17 *See* Copyright Act of 1790 § 1.

18 *See id.* Of course, the "executors" of the author could not file a renewal registration, since an author would only have executors if he had died, and the 1790 Act granted a renewal term only if the author lived through the end of the initial term. However, if the author successfully renewed but died during the renewal term, his ownership interest in the renewal term would pass through his executors to his devisees or heirs. As for assignees, if the author had explicitly assigned rights in the renewal term in advance and sur-

On January 23, 1804, the Clerk of the District Court of Pennsylvania recorded Henry Sweitzer's deposit of the title of John Barry's book, *The Philadelphia Spelling Book*, with Sweitzer's claim to be proprietor of copyright in that book.[19] Assuming that Sweitzer was the assignee of John Barry, and that Barry was still alive on June 9, 1804, the book then enjoyed protection through June 8, 1818, and entered the public domain on June 9, 1818.[20]

Because the Copyright Act of 1790 was the first federal copyright act, it could not retroactively increase the term of copyright for any works that were previously under federal copyright protection, because there were no such works. As for works not yet published at the time the 1790 Act was passed, the Act required that their titles be deposited with the relevant clerks of court before publication in order to gain protection.[21] However, the Act did allow works already published at the time the Act was passed

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vived the initial term, presumably the assignee of those rights could file a renewal registration, as Henry Sweitzer did for *The Philadelphia Spelling Book*.

[19] *See* 262 DISTRICT COURT COPYRIGHT RECORD BOOKS, *supra* note 6, Pennsylvania June 9, 1790 – December 24, 1804, no. 27, *microfilmed on* reel 61. The record of Henry Sweitzer's deposit does not note that it is a second-term or renewal deposit, and thus provides the public with incomplete information. Looking at that record alone, one would not know that the copyright in the work could not be further renewed, nor would one know the date that the second term ended (which would be, not exactly fourteen years from the date of recording the second-term title deposit, but exactly fourteen years after the date that the first term ended).

I should also note that most early record books do not record the year according to the Gregorian calendar, but according to the "Year of Independence." The first Year of Independence began on July 4, 1776 and ended on July 3, 1777, and every succeeding Year of Independence runs from July 4 through July 3. Thus, the record of Henry Sweitzer's deposit is recorded as having been made on the "twenty third day of January in the twenty eighth year of the Independence of the United States of America." In Gregorian terms, the 28th Year of Independence began on July 4, 1803 and ended on July 3, 1804. Any date from July 4 through December 31 in that Year of Independence would fall in 1803; any date from January 1 through July 3 in that Year of Independence would fall in 1804.

[20] There is an ongoing controversy whether the author of the *Philadelphia Spelling Book* was the same John Barry as the Revolutionary War naval officer who is often referred to as the "Father of the American Navy." *See* William Kelly, *John Barry and John Barry*, REMEMBER THE INTREPID (Apr. 20, 2008), http://remembertheintrepid.blogspot.com/2008/04/john-barry-and-john-barry.html. The latter died on September 13, 1803. *See John Barry (naval officer)*, WIKIPEDIA, http://en.wikipedia.org/wiki/John_Barry_(naval_officer) (last modified June 11, 2015). If there was only one John Barry, then his death before the end of the first term of copyright would have precluded a second term.

[21] *See id.*

to gain the two fourteen-year terms of federal copyright protection described above.[22] One prominent example of a work that gained such protection was Noah Webster's *A Grammatical Institute of the English Language*. In the 1780s, Webster had obtained copyright protection for his *Grammatical Institute* in several states.[23] On October 7, 1790, Webster's publishers, Isaiah Thomas and Ebenezer T. Andrews, obtained federal copyright protection for that book.[24] As William Maher has shown, however, acquisition of federal copyright in the early years of the 1790 Act was rare, and acquisition of copyright for books already published even rarer. Of the approximately 21,000 printed editions of books, charts, and maps in the United States between 1790 and 1800, there are copyright registration records for only 684; of those 684 registrations, only 12 registrations were for previously published works.[25] Thus, the registrations for previously published works amount to less than 2% of copyright registrations, and less than 0.06%, or about one in 2000, of printed editions.[26]

B. The Copyright Act of 1831

On February 3, 1831, Congress passed a comprehensive revision of federal copyright law.[27] That Act retained many features of federal copyright duration under the 1790 Act, including the divided structure of an original term and a renewal term, the provision that the original term would begin on the date that the title of the work was recorded, and the renewal term's length of fourteen years.[28] At the same time, the 1831 Act increased the original term of copyright to twenty-eight years, and it dropped the requirement that the author survive until the beginning of the renewal term to obtain such a term. Section 2 of the Act, applicable to works first gaining federal copyright protection on or after its effective

22 *See* Copyright Act of 1790 § 1.

23 *See* FEDERAL COPYRIGHT RECORDS, 1790–1800, *supra* note 16, at xx-xxi; William J. Maher, *Copyright Term, Retrospective Extension, and the Copyright Law of 1790 in Historical Context*, 49 J. COPYRIGHT SOC'Y 1021, 1033-34 (2002).

24 *See* Federal Copyright Records, 1790–1800, *supra* note 16, at 74 (presenting an entry from the Massachusetts District Court Ledger, 42 MA 2, which notes that on October 7, fifteenth year of Independence, Isaiah Thomas & Eben. T. Andrews deposited the title of a book written by Noah Webster Junior Esquire.

25 *See* Maher, *supra* note 23, at 1023-25.

26 *See id.*

27 *See* An Act to amend the several acts respecting copyrights (Feb. 3, 1831), ch. 16, 4 Stat. 439 [hereinafter Copyright Act of 1831].

28 *See id.* §§ 1, 2.

date, specified that the new renewal term vested in the author, or if the author had died, in the author's widow, child, or children.[29]

Although Section 16 of the 1831 Act raises at least two interpretive issues, to which I will return in a moment, it was clearly intended to extend the benefit of most of the Act's provisions, including the increased original term, to some works that had already gained federal copyright protection. The retroactivity of that term extension was hardly an afterthought. The most vocal advocate for the extension was lexicographer Noah Webster, brother of Senator Daniel Webster and father-in-law of Representative William Ellsworth, Daniel Webster, and, Ellsworth were principal proponents of the 1831 Act in their respective Houses of Congress.[30] Webster wanted extended copyright protection for his books, including books for which he had already received federal copyright protection.

The registration history for Webster's *An American Dictionary of the English Language*, perhaps his most famous and enduring work, provides a good example of the uncontroversial working of retroactive extension under the 1831 Act. Webster had obtained federal copyright protection for that book by depositing its title on April 14, 1828.[31] Under the 1790 Act as in effect at that time, Webster would have expected a fourteen-year initial term of copyright that would end on April 13, 1842. If he survived until that date (which he did, barely — he was eighty-three, and died the following year at age eighty-four),[32] he or his assigns could have obtained a second fourteen-year term that would end on April 13, 1856. After the passage of the 1831 Act, the original term for *An American Dictionary* was retroactively lengthened to twenty-eight years, so that it ended on April 13, 1856. Webster was no longer alive on that date, but five of his children were, including Emily Ellsworth, wife of the 1831 Act's proponent Representative William Ellsworth. On January 9, 1856, those five children again deposited the title of "An American Dictionary of the English Language . . . in renewal of a copy-right for fourteen years, from the Expiration of

[29] *See id.* § 1.

[30] *See* DAVID MICKLETHWAIT, NOAH WEBSTER AND THE AMERICAN DICTIONARY 211-21 (2000) (detailing Webster's campaign to lengthen the term of copyright). Noah Webster had also been active in lobbying for passage of copyright acts by the states in the 1780s, and for passage of the first federal copyright act in 1790, although Micklethwait argues that Webster was far less responsible for the passage of those acts than he claimed to be. *See id.* at 74-80.

[31] *See* 6 District Court Copyright Record Books, *supra* note 6 (Connecticut Mar. 1825 – Dec. 1841), at 91, no. 552, *microformed on* reel 1, image *available at* http://docs.law.gwu.edu/facweb/rbrauneis/retroactive/Websterrenewal.pdf.

[32] *See* 2 CONNECTICUT BIOGRAPHICAL DICTIONARY 564 (Caryn Hanna, ed. 2008) (Webster was born on October 16, 1758); *id.* at 565 (Webster died on May 28, 1843).

the first copyright of the same book heretofore issued from this office, on the fourteenth day of April 1828 . . . ."[33] The retroactively extended term of copyright thus ended up expiring on April 13, 1870.

That brings us to the two interpretive issues raised by Section 16 of the 1831 Act. The first of those is, did the 1831 Act bestow an increased original term of twenty-eight years on works that were either in their original terms or in their renewal terms on the date of passage of the Act, or only on works that were in their original terms on that date? If the former, then the term extension would cover any work in which federal copyright protection was obtained on or after February 4, 1803; if the latter, the term extension would cover only those works in which federal copyright protection was obtained on or after February 4, 1817. Section 16 states that the extended term will apply "whenever a copyright has been heretofore obtained . . . *Provided*, That this act shall not extend to any copyright heretofore secured, the term of which has already expired."[34] On its face, that language would not seem to distinguish between original and renewal terms, and I will argue that that is the better reading the Act. Professor Tom Bell's copyright term chart, however, appears to conclude that Section 16 makes the Act retroactively apply only to copyrights in their original terms on the Act's date of passage, and thus only to copyrights obtained on or after February 4, 1817.[35] There would be a great deal of sense in that interpretation if the renewal term under the 1790 Act was not completely alienable. Under the Supreme Court's interpretation of the 1909 Act, for example, an author cannot make any advance assignment of the renewal term that would be enforced if that author dies before the end of the original term.[36] If the author does not survive until the end of the original term, the 1909 Act preemptively intervenes to vest renewal rights in a defined class of beneficiaries. Retroactively extending the orignal term of copyright in a case in which the renewal term was owned by a different party than the original term would result in an immediate change in ownership, and it seems unlikely that Congress would have intended such a consequence.

However, the entire structure of the 1831 Act's provisions respecting term is probably best viewed as reconciling the retroactive extension of that term, and the narrowing of the class of beneficiaries of the new renewal term, with the preservation of pre-existing expectations. The

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[33] *See* 7 District Court Copyright Record Books, *supra* note 6 (Connecticut Jan. 1842 – June 1859), at 265, no. 1695, *microformed on* reel 1, image *available at* http://docs.law.gwu.edu/facweb/rbrauneis/retroactive/AmericanDictionary1856renewal.pdf.

[34] Copyright Act of 1831, *supra* note 27, § 16.

[35] *See* Bell, *supra* note 3.

[36] *See* Miller Music Corp. v. Charles N. Daniels, Inc., 362 U.S. 373 (1963).

twenty-eight-year orignial term of the 1831 Act essentially consolidated the previous Act's two fourteen-year terms, and then added a third fourteen-year term for the benefit of widows and children. Section 16 of the Act provided that the retroactively-extended, twenty-eight-year term would vest in the author, or if he had died before the date of the Act's passage, in the author's "executors, administrators, or assigns."[37] That provision thus preserved whatever deals the author might have made before 1831 for either of the then-existing two fourteen-year terms of copyright. For example, any publisher to whom the author had assigned both of those fourteen-year terms would under the retroactive provisions of the 1831 Act own copyright for the duration of the twenty-eight-year initial term. Since twenty-eight is exactly two times fourteen, the publisher could not complain that the 1831 Act had disturbed any expectations. The only parties who could complain about expectations upset by the addition of another fourteen years of copyright were members of the public. Although at least one Member of Congress did voice such complaints,[38] they did not result in any legal challenge to the retroactive extension.

The number of renewal registrations under the 1831 Act for works that originally gained copyright before 1817 is undoubtedly very small. I have only been able to find one, though admittedly I have not done an exhaustive search; given the state of pre-1870 copyright records, an exhaustive search would take months or years. The one that I have found again concerns Noah Webster. Webster's second most famous work is probably *The American Spelling Book.* Webster obtained federal copyright protection for that book (a revised version of the first part of the *Grammatical Institute*, mentioned above[39]) by depositing its title in U.S. District Court for Connecticut on March 14, 1804.[40] Before the original term of copyright in that book expired, Webster deposited the title of that book a second time, on September 15, 1817.[41] Under the 1790 Act, the

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[37] *Id.*

[38] *See* 7 GALES & SEATON'S REGISTER OF DEBATES IN CONGRESS 423 (Jan. 6, 1831) (remarks of Mr. Hoffman) ("Mr. Hoffman opposed the bill, which appeared to be at variance with every principle of sound public policy. It went to establish a monopoly of which authors alone would reap the advantage, to the public detriment.")

[39] *See supra* text accompanying note 23.

[40] The copyright registration records for March 1804 in Connecticut have not survived, but this is the date of registration found in the copyright notice on the *American Spelling Book. See* NOAH WEBSTER, THE AMERICAN SPELLING BOOK (30th rev. impression 1809), image of copyright notice page *available at* http://digital.library.pitt.edu/cgi-bin/t/text/pageviewer-idx?c=nietz;cc=nietz;idno=00acf7166m;rgn=full%20text;didno=00acf7166m;view=image;seq=8;node=00acf7166m%3A1;page=root;size=s;frm=frameset;.

[41] *See* 46 DISTRICT COURT COPYRIGHT RECORD BOOKS, *supra* note 6, Massachusetts April 1814 – 1825, no. 169, *microfilmed on* reel 8.

second term would have expired on March 13, 1832. In the meantime, however, the Copyright Act of 1831 had been passed. Looking to take advantage of that Act's retroactive extension of the first term and new renewal term, Webster deposited the title of *The American Spelling Book* a third time, on September 26, 1831,[42] intending to gain another fourteen years of protection.

Whether he in fact gained another fourteen years of protection leads us to the second interpretive question raised by Section 16 of the 1831 Act. Section 2 of the 1831 Act, applicable to federal copyrights obtained on or after the date of the Act's passage, grants renewal rights to "the author . . . or, if [he is] dead, to [his] widow and child, or children." By contrast, Section 16 of the Act, applicable to federal copyrights secured before the Act's date of passage, grants "the same right, to [the author's] widow, child or children to renew the copyright, at the expiration thereof, as is above provided in relation to copyrights originally secured under this Act." Thus, the Section 16 formulation does not explicitly grant the renewal right to the author, but only to his widow and children. Noah Webster apparently became convinced that because of that formulation, and because he was still alive at the end of the extended initial term of copyright in *The American Spelling Book*, his attempt to renew was ineffective, and the book entered the public domain. On a copy of a copyright bill that predated the 1831 Act, Webster wrote:

> The last section does not give the privilege of renewal to the widows & children of deceased authors. This defect was supplied by Mr. Ellsworth, at my request, which had special reference to the case of the widow & heirs of Dr. Dwight. But in redrafting the 16th section Mr. Ellsworth omitted the words *to him* before the words the *widow* by which I lost the right of renewal of the American Spelling Book. *N. Webster.*[43]

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[42] *See* 6 *id.* Connecticut March 1825 – December 1841, at. 235, no. 725, *microfilmed on* reel 1. Webster's third recording of a title originally recording in 1804 is good evidence that the 1831 Act should be read exactly as written — to apply to any work still under copyright, regardless whether it was in its original or renewal term.

[43] Noah Webster Papers, New York Public Library, Box 8, folder of papers related to N.W.'s struggle for copyright laws, copy of Amendment to H.R. 140, February 21, 1828, image *available at* http://docs.law.gwu.edu/facweb/rbrauneis/retroactive/HR140Amendment.pdf. (see page 8 bottom). Many thanks to David Micklethwait for referring me to this handwritten note. The "Dr. Dwight" to whom Noah Webster refers is undoubtedly Timothy Dwight IV (1752–1817), a Congregationalist minister, the eighth President of Yale College, and a prolific author. Two of his most popular works were published posthumously: "Theology explained and defended in a Series of Sermons," published in 1818, and "Travels in New-England and New-York," published in 1821–22. *See Timothy Dwight IV*, WIKIPEDIA, https://en.wikipedia.org/wiki/Timothy_Dwight_IV (last modified June 11, 2015).

I don't know how Webster came to this conclusion — I have not found any record of any litigation involving the renewal period of *The American Spelling Book* — but he apparently did, and it is consistent with the language of Section 16 of the Act. Thus, it is likely that, due to what was probably a drafting oversight,[44] Section 16 granted rights in the new renewal term only to the author's "widow, child or children." As a result so that authors of works that gained federal copyright protection before March 3, 1831, who survived to the end of the initial twenty-eight-year term could not obtain another fourteen-year term, and their works fell into the public domain at the end of that initial term.

C. *The Copyright Act of 1909*

Although the Copyright Act of 1870 introduced many important changes to copyright law, including centralization of copyright registration in the Library of Congress,[45] it retained the copyright term provisions of the 1831 Act.[46] The next changes made to copyright term were in the Copyright Act of 1909, which became law on March 4, 1909 and provided for an effective date of July 1, 1909.[47] The 1909 Act retained a divided-term structure of an orignal term and a renewal term.[48] It also retained an initial term of twenty-eight years;[49] but it changed the basis on which federal copyright was acquired, and therefore changed the event that would start the twenty-eight-year term running. Under the 1909 Act, the original term of federal copyright was generally acquired, not by the recording of the title of a work, but simply by publication of the work with proper copyright notice.[50] Thus, the original term ran for twenty-eight years from the date of publication with notice.[51] The Act, however, did allow some works to gain federal copyright protection without publication, "by the deposit, with claim of copyright, of one complete copy of such work . . . ."[52] If a copy of an eligible work was properly deposited, then the original twenty-eight-year term of copyright began running on the date of

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[44] *See* MICKLETHWAIT, *supra* note 30, at 219 (explaining how Section 16 was hastily substituted for a previous version that would have required the author to live to the end of the first term, and opining that such haste probably resulted in a drafting mistake).

[45] *See* Act of July 8, 1870, ch. 230, §§ 85, 90, 16 Stat. 198.

[46] *See id.* §§ 87, 88.

[47] *See* Act of Mar. 4, 1909, ch. 320, § 64, 35 Stat. 1080 (hereinafter "Copyright Act of 1909") (providing for an effective date of July 1, 1909).

[48] *See id.* § 23. For one account of the background of the 1909 Act, see Ochoa, *supra* note 2, at 33-39.

[49] *See id.*

[50] *See id.* § 9.

[51] *See id.* § 23.

[52] *See id.* § 11.

that deposit.[53] The 1909 Act's term extension focused on the renewal term: that term was increased from fourteen to twenty-eight years.[54]

Section 24 of the 1909 Act provided that its increased twenty-eight-year renewal term would apply to all works in which copyright still subsisted as of its effective date of July 1, 1909.[55] Any work in which federal copyright had been secured on July 2, 1867, or later, and in which copyright had been validly renewed, would still be under copyright on July 1, 1909, forty-two years later. Conversely, the term of a work in which federal copyright was first secured on July 1, 1867 or earlier would expire at or before the end of June 30, 1909, and therefore would not be subsisting on July 1, 1909, and would not be eligible for the increased renewal term.

D. From the Joint Resolution of September 19, 1962, Through the Copyright Act of 1976

On September 19, 1962, Congress passed a joint resolution "[e]xtending the duration of copyright protection in certain cases."[56] That resolution provided that in any case in which the renewal term of copyright subsisting on September 19, 1962 would expire prior to December 31, 1965, that renewal term would continue until December 31, 1965.[57] The purpose of that stand-alone extension of term was to keep those works under copyright until Congress could pass a general revision of copyright, which was anticipated to retroactively increase copyright term for all

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53 The 1909 Act was actually silent on this issue, but the Ninth Circuit filled the gap in *Marx v. United States*, 96 F.2d 204, 206-07 (9th Cir. 1938). *See also* Shilkret v. Musicraft Records, Inc., 131 F.2d 929, 932 (2d Cir. 1942) (citing *Marx* approvingly). The Copyright Office once used the date of deposit as the measuring date to begin the period of federal copyright protection for unpublished works, but then switched in 1949 to using the date of registration, meaning the date that deposit, application, and fee have all been received by the Office. *See* COMPENDIUM I, *supra* note 7, § 11.1.2.I. This change may have been made to encourage timely submission of application and fee.

54 *See* Copyright Act of 1909, § 23.

55 *See id.* § 24 ("[T]he copyright subsisting in any work at the time when this Act goes into effect may, at the expiration of the term provided for under existing law, be renewed and extended . . . for a further period such that the entire term shall be equal to that secured by this Act, including the renewal period . . . .").

56 Pub. L. No. 87-668, 76. Stat. 555 (1962). For more detail on interim extension legislation, see Ochoa, *supra* note 2, at 40-42.

57 *See id.* The full text of the resolution provided: "*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled*, That in any case in which the renewal term of copyright subsisting in any work on the date of approval of this resolution would expire prior to December 31, 1965, such term is hereby continued until December 31, 1965." *Id.*

works still under copyright. As the general revision became subject to repeated delay, Congress repeatedly passed additional incremental extensions of term. Over the next twelve years, Congress ended up passing eight additional extensions, thus keeping under copyright through 1976 all works that were still in their renewal term on September 19, 1962.[58] Finally, in the Copyright Act of 1976, passed on October 19, 1976, Congress provided for a renewal term of forty-seven years,[59] and a total combined term of seventy-five years for any work still in its renewal term as of December 31, 1977.[60] As noted above, the 1976 Act also provided that all terms of copyright would extend to the end of the calendar year during which they would otherwise expire.[61]

The cumulative effect of the incremental extensions of copyright term and of the Copyright Act of 1976 is thus as follows. Any work in which federal copyright had been secured on September 20, 1906, or later, and in which copyright had been validly renewed, was still under copyright on September 19, 1962, fifty-six years later, and thus ultimately received a total term of seventy-five years, ending not on the precise date seventy-five years after the date that copyright was acquired, but at the end of the calendar year in which that date occurred.[62] Conversely, the term of a work in which federal copyright was first secured on or before September 19, 1906, would expire at or before the end of the day on September 18, 1962, and therefore would not be subsisting on September 19, 1962, and would not be eligible for the seventy-five-year term.

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[58] *See* Joint Resolution of August 28, 1965, Pub. L. No. 89-142, 79 Stat. 581 (extending any renewal term of copyright subsisting on August 28, 1965 to December 31, 1967); Joint Resolution of November 16, 1967, Pub. L. No 90-141, 81 Stat. 464 (extending any renewal term of any copyright subsisting on November 16, 1967 to December 31, 1968); Joint Resolution of July 23, 1968, Pub. L. No. 90-416, 82 Stat. 397 (extending the renewal term of any copyright subsisting on July 23, 1968 to December 31, 1969); Joint Resolution of December 16, 1969, Pub. L. No. 91-147, 83 Stat. 360 (extending the renewal term of any copyright subsisting on Dec. 16, 1969 to December 31, 1970); Joint Resolution of December 17, 1970, Pub. L. No. 91-555, 84 Stat. 1441 (extending the renewal term of any copyright subsisting on Dec. 17, 1970 to December 31, 1971); Joint Resolution of November 24, 1971, Pub. L. No. 92-170, 85 Stat. 490 (extending the renewal term of any copyright subsisting on Nov. 24, 1971 to December 31, 1972); Joint Resolution of October 25, 1972, Pub. L. No. 95-566, 86 Stat. 1181 (1972) (extending the renewal term of any copyright subsisting on Oct. 25, 1972 to December 31, 1974); Act of December 31, 1974, Pub. L. No. 93-573, § 104, 88 Stat. 1873 (extending the renewal term of any copyright subsisting on Dec. 31, 1974 to December 31, 1976).

[59] *See* Public Law No. 94-553, § 304(a), 90 Stat. 2541, 2573.

[60] *See id.* § 304(b), 90 Stat. 2574.

[61] *See id.* § 305, 90 Stat. at 2576.

[62] *See id.* §§ 304(a), 304(b), 305, 90 Stat. at 2573-74, 2576.

E. The Sonny Bono Copyright Term Extension Act

Finally, the Sonny Bono Copyright Term Extension Act ("CTEA") was passed on October 27, 1998,[63] and became effective immediately.[64] Section 102(d) of that Act provides that the renewal term of copyrights still subsisting on the effective date of the Act would be increased to sixty-seven years, and that any work in which copyright was in its renewal term as of the effective date of the Act would have a term of copyright of ninety-five years from the date on which copyright was first secured.[65] Since the 1976 Act provided for end-of-calendar-year expiration of term, any work in which federal copyright had been secured on January 1, 1923 or later, and in which copyright had been validly renewed, would still be under copyright on October 27, 1998. Conversely, the term of copyright of a work in which federal copyright was first secured on or before December 31, 1922, expired no later than the end of the day on December 31, 1997, and therefore was not subsisting on October 27, 1998, and was not eligible for the increased term.

II. PROSPECTIVE AND RETROSPECTIVE COPYRIGHT TERM FOR WORKS ACQUIRING FEDERAL COPYRIGHT PROTECTION ON OR AFTER JANUARY 1, 1978.

The Copyright Act of 1976 prospectively changed both the method of measuring the term of federal copyright protection, and the events that result in acquiring that protection. The basic term of protection for works created on or after January 1, 1978, or created but not published or registered before January 1, 1978, was the life of the work's author plus fifty years.[66] Works that were created as works made for hire, or that were published anonymously or pseudonymously, received a term equal to the lesser of seventy-five years after publication or 100 years after creation.[67] Under the 1976 Act, works receive federal protection upon fixation; neither publication with notice nor registration is necessary, although the original 1976 Act did continue to require copyright notice as a condition of maintaining copyright protection after publication.

Because state common law had generally been thought to provide perpetual protection for unpublished works[68] and for sound recordings,

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63 *See* Sonny Bono Copyright Term Extension Act ("CTEA"), Pub. L. No. 195-298, 112 Stat. 2827. For further background on this Act, see Ochoa, *supra* note 2, at 40-42.

64 *See id.* § 106.

65 *See id.* § 102(d).

66 *See* Public Law No. 94-553, § 302(a), 90 Stat. 2541, 2572.

67 *See id.* 17 U.S.C. § 302(c), 90 Stat. at 2572-73.

68 *See* Wheaton v. Peters, 33 U.S. (8 Pet.) 591 (1834); MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 9.09 (2015).

the Copyright Act of 1976 could be viewed as actually effecting retroactive *contractions* of copyright term with respect to those works — to date, the only retroactive contractions of term in the history of U.S. copyright law.[69] However, it would be a mistake to think that the protection afforded under common law copyright was in every respect as extensive and as well-defined as federal protection, so that the 1976 Act's preemption of common law copyright shortened term while maintaining all other aspects of protection. Common law protection, for example, does not offer remedies such as statutory damages or attorney's fees, and the contours of that protection are still being judicially determined: the first opinion to decide that sound recordings enjoyed a public performance right at common law (as it turns out, the common law of New York) was issued in 2014.[70]

Moreover, transition rules softened the effect of the retroactive contractions of term. Regardless of the terms of copyright generally available under the 1976 Act, that Act provided that no unpublished work would enter the public domain until January 1, 2003, twenty-five years after the effective date of the 1976 Act. Moreover, publication by December 31, 2002 of any work created but not published or registered before 1978 would result in copyright protection through at least December 31, 2027, fifty years after the 1976 Act's effective date.[71] The CTEA added another twenty years to that minimum term, resulting in protection through at least December 31, 2047.[72] As for sound recordings fixed before February 15, 1972, which were protected under state rather than federal law, the 1976 Act provided that they would not be governed by federal law, including federal term limitations, until February 15, 2047, seventy-five years after the last one of them was made.[73] The CTEA also pushed that date back twenty years, resulting in the preservation of state-law protection until February 15, 2067.[74]

As for works created after December 31, 1977, virtually all of them ended up getting the benefit of another retroactive extension of term. The CTEA extended the basic term of copyright to life of the author plus seventy years, and the term for works made for hire and anonymous and pseudonymous works to the lesser of ninety-five years after publication or

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[69] *See generally* R. Anthony Reese, *Public but Private: Copyright's New Unpublished Public Domain*, 85 Tex. L. Rev. 585 (2007).

[70] *See* Flo & Eddie, Inc. v. Sirius XM Radio, Inc., 113 U.S.P.Q.2d 1285 (S.D.N.Y. 2014). Two months earlier, the U.S. District Court for the Central District of California had held that pre-1972 sound recordings enjoyed a public performance right in California under a state statute. *See* Flo & Eddie, Inc. v. Sirius XM Radio, Inc., 112 U.S.P.Q.2d 1307 (C.D. Cal. 2014).

[71] *See* Public Law No. 94-553, § 303, 90 Stat. 2541, 2573.

[72] CTEA, *supra* note 63, § 102(c).

[73] *See* Public Law No. 94-553, § 301(c), 90 Stat. 2541, 2572.

[74] CTEA, *supra* note 63, § 102(a).

120 years after creation.[75] Only a very few works created after December 31, 1977, had fallen into the public domain before the effective date of the CTEA, namely, those that were published without proper copyright notice between January 1, 1978, and February 28, 1989, and for which that deficiency was not cured under available 1976 Act provisions.[76] All of the rest received the benefit of the CTEA extension.

III. MAXIMUM COPYRIGHT TERM AND ACTUAL COPYRIGHT TERM

Although this article has focused principally on maximum copyright term, for most of the history of U.S. copyright law a work could end up receiving far less than the maximum term, and most works did receive far less.

First, from the 1790 Act until the March 1, 1989 effective date of the Berne Convention Implementation Act,[77] publication of a work without the observation of required formalities, which variously over time included registration, copyright notice on copies and/or in newspapers, and deposit, could result in immediate forfeiture of copyright, and injection of the work into the public domain. Second, works that were published before 1978 were all originally granted a split copyright term that required renewal registration to maintain protection after the first portion of that term. Most copyright owners did not take the affirmative steps necessary to renew copyright.[78] Moreover, for works for which federal copyright was obtained from February 4, 1803, through July 1, 1881, renewal was only available to a limited class of persons, which in some circumstances was an empty class, thus foreclosing renewal altogether.[79] It is therefore possible

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[75] *Id.* § 102(b).

[76] For the general requirement of copyright notice in the original Copyright Act of 1976, see Pub. L. No. 94-553, § 40, 90 Stat. 1 (1976). For the means of curing some notice deficiencies, *see* id. § 405(a). The Berne Convention Implementation Act, which eliminated the notice requirement, became effective on March 1, 1989. *See* Berne Convention Implementation Act of 1988, Pub. L. No. 100-568, § 7 (eliminating the notice requirement), § 13 (defining the Act's effective date), 102 Stat. 2853, 2857-59, 2861.

[77] *See* note 76 *supra*.

[78] For a discussion of historical renewal rates, see WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 238-49 (2003).

[79] As noted above, the Copyright Act of 1831 created a new renewal term, which was prospectively for the benefit of the author, if he survived through the end of the initial term, or for his widow and child or children if he did not. The section of the Act that retroactively extended the benefit of the that new renewal term neglected to include the author, and therefore made renewal available only if the author died before the end of the initial term but had a widow and/or a child or children who survived through the end of that

that the single greatest retroactive extension of actual copyright term, as opposed to maximum copyright term, was effected by the Copyright Renewal Act of 1992. That Act retroactively lifted the requirement of renewal for all works published between January 1, 1964, and December 31, 1977. Since far fewer than half of those works would likely have been renewed, the Act retroactively added forty-seven years of copyright, which under the CTEA ended up becoming sixty-seven years of copyright, to millions of works published during those thirteen years.[80]

Thus, just as the history of U.S. copyright law has for the most part been a history of lengthening of maximum copyright term, it has also been for the most part a history of lessening of copyright formalities that could cause actual copyright term to be shorter than maximum term. After the Copyright Renewal Act of 1992, only an a copyright owner's affirmative dedication of a work to the public domain could conceivably result in that work enjoying less than the maximum term of copyright, and it is not completely clear that copyright owners always have the power to make such a dedication.[81]

IV. CONCLUSION: LOOKING BACK FROM THE FUTURE

Every time Congress has extended the term of copyright, it has done so retroactively. The *Eldred* Court charitably suggested that the retroactivity provisions were afterthoughts, motivated by concerns of equal treatment: Congress "grant[ed] to authors of works with existing copyrights the benefit of term extensions so that all under copyright protection will be governed evenhandedly under the same regime."[82] Under a less charita-

term. The Copyright Act of 1909 expanded the class of persons eligible to renew to include executors and heirs, and Section 24 of that Act retroactively applied that expansion to all works still under copyright when the Act became effective. Since the Act became effective on July 1, 1909, that expansion would apply to all works that were still in their initial twenty-eight-year term of copyright on that date, which would include all works for which federal copyright was secured on or after July 2, 1881.

[80] A competitor for the title of greatest retroactive extension of copyright term might be the Uruguay Round Agreements Act, Pub. L. No 103-465, § 514, 108 Stat. 4809, 4976 (1994), which restored copyright in a large number of foreign works that had fallen into the public domain in the United States due to publication without proper copyright notice or failure to file an application to renew.

[81] *See, e.g.*, Lydia Pallas Loren, *Building a Reliable Semicommons of Creative Works: Enforcement of Creative Commons Licenses and Limited Abandonment of Copyright*, 14 GEO. MASON L. REV. 271, 314-26 (2007); Timothy K. Armstrong, *Shrinking the Commons: Termination of Copyright Licenses and Transfers for the Benefit of the Public*, 47 HARV. J. ON LEGIS. 359, 388-99 (2010)

[82] *Eldred*, 537 U.S. at 200.

ble interpretation, term extension has always been driven by its retroactive potential — its potential for maintaining the flow of a proven income stream that would otherwise cease immediately. The prospective aspect of term extension concerns an income stream that may or may not exist decades in the future. As Justice Breyer pointed out in his dissent in *Eldred*, under conservative assumptions about discount rates, the prospective extension of term from life plus fifty to life plus seventy increases the present value of a work when created by only one-third of one percent; even that assumes that the income stream from the work remains constant, as it does in only a very small percentage of cases.[83] And as I have noted elsewhere, even though publishers argued that U.S. copyright term should be extended so that U.S. works would gain protection for life plus seventy in Europe, they generally seem to be simultaneously publishing U.S. works in Canada, which under Berne Convention rules will in many cases limit European protection for those works to life plus fifty.[84] That in turn suggests that those publishers are not very interested in prospective term extension. If it is the prospect of retroactive extension that has motivated the increase in copyright term, then it may be the prospective extension that is the afterthought, motivated less by equality than by avoiding the perception of naked greed.

Will the retrospective maximum term of copyright ever again equal the prospectively announced term? The first works created with the expectation that they would receive a term of life of the author plus seventy years were created on October 27, 1998. Those works will not fall into the public domain until at least January 1, 2069, and that will be the case only for a small percentage of those works, namely, those whose authors died by December 31, 1998. Nonetheless, if Congress does not in the meantime again retroactively extend copyright term, some group may prepare to toast at midnight on New Year's Eve, 2068, the return of coincidence between prospective and retrospective maximum copyright term. Whoever proposes the toast on that occasion may note that the last time that works began entering the public domain after a term that was announced at the time they gained federal copyright protection was midnight on February 2, 1873, when works for which copyright was acquired under the 1831 Act and properly renewed began to fall into the public domain.[85] By any mortal measure, that is a long interlude.

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[83] *See id.* at 267-68 (Breyer, J., dissenting).

[84] *See* Robert Brauneis, *Do Most US Authors Still Only Enjoy a Copyright Term of Life Plus 50 in the EU?*, KLUWER COPYRIGHT BLOG (Jan. 27, 2014), http://kluwercopyrightblog.com/2014/01/27/do-most-us-authors-still-only-enjoy-a-copyright-term-of-life-plus-50-in-the-eu.

[85] Works that acquired federal copyright protection beginning on February 3, 1831, the date of passage of the 1831 Act, and enjoyed the maximum term

of copyright of forty-two years, began entering the public domain on February 3, 1873. Works that acquired federal copyright protection for thirty-six years following February 3, 1831, ended up getting the same forty-two years maximum protection that had been announced at the time of gaining that protection. That lasted through July 1, 1867, because a work that gained federal copyright protection on that date had its last day of copyright protection on June 30, 1909, just before the 1909 Act became effective. As noted above, *see supra* text accompanying note 55, due to the retroactive effect of the 1909 Act's increase in copyright term, works that acquired federal copyright beginning on July 2, 1867 enjoyed a maximum copyright term of fifty-six years, fourteen years longer that the term prospectively announced at that time.

RESTRUCTURING THE ECONOMIC RIGHTS IN COPYRIGHT – SOME REFLECTIONS ON AN "ALTERNATIVE MODEL"

by OLE-ANDREAS ROGNSTAD*

ABSTRACT

Current copyright law is struggling to adapt to the digital environment and the passage of time has apparently not remedied the problems we are facing. In this article, it is argued that the current structure of the economic rights in copyright law is a serious obstacle both to explaining the essence of copyright law to the public being affected by it 24/7 and to getting a proper grip on emerging problems. It is suggested that the current "six-stage structure" (exclusive rights/exceptions, protection of DRMs/exceptions, secondary liability/safe harbors) be replaced by a one-stage structure predicated on the notion that right holders have exclusive rights to reasonable exploitation of their works, drawing in this respect also on the criteria of the "three step test(s)" of the international conventions. The challenge is to establish a regulatory framework that balances the need for predictability with the desire for flexibility. The idea and the contours of an alternative model for restructuring the economic rights in copyright are sketched out in the article.

INTRODUCTION

Copyright is a troubled field of law. On the one hand there are huge economic interests involved in the exploitation of copyrighted works. On the other hand copyright legislation struggles with its legitimacy in the eyes of the general public who increasingly, mostly as a result of the digital revolution and the emergence and development of the Internet, find copyright restrains their everyday life. At the same time there is broad consen-

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sus that there are considerable problems in adapting the traditional copyright regime to the ever-changing technological environment, both on a rule level and on the enforcement level. Some of the problems we face may be solved by the development of better and more efficient business models. But there will also always be a question of the appropriateness of the legislative framework itself, and reform proposals in this respect are not rare these days.[1] The proposals may take different forms, from radical ideas of scrapping the present system entirely, replacing the exclusive rights with something else, to more moderate — and realistic — amendments. Others again will be of the opinion that the present legislative framework is as good as it gets, and that the problems lie in poor application and interpretation of that framework.[2]

I am not of the latter view. My opinion is that the current copyright regime, both internationally and domestically, at some level is unsatisfactory. At the same time I am sympathetic to the notion that authors should have a core of exclusive rights to the results of their endeavors. The questions I want to raise regard the structuring of the economic rights in copyright. This is not to ignore that a whole range of issues can be discussed when addressing possible reforms to copyright, even under the premise that the copyright holders' exclusive right should be retained.[3] Still I

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[1] *See, e.g.*, Pamela Samuelson, *Preliminary Thoughts on a Copyright Reform*, UTAH L. REV. (2007) 551 [hereinafter Samuelson (2007)]; Pamela Samuelson et al., *Copyright Principles Project: Directions for Reform*, 25 BERKELEY TECH. L.J. 1175 (2010) [hereinafter Samuelson 2010]. *See also* Pamela Samuelson, *Book Review: Is Copyright Reform Possible?*, 126 HARVARD L. REV. 740, 740 n.1 (2013) [hereinafter Samuelson (2013)]; *see also* DEP'T OF COMMERCE INTERNET POLICY TASK FORCE, COPYRIGHT POLICY, CREATIVITY AND INNOVATION IN THE DIGITAL ECONOMY (2013), *available at* http://www.uspto.gov/news/publications/copyrightgreenpaper.pdf. In a European context, references can be made to the UK reports, *Gowers Review of Intellectual Property* (2006), *available at* http://www.official-documents.gov.uk/document/other/0118404830/0118404830.pdf and Ian Hargreaves, *Digital Opportunity: A Review of Intellectual Property and Growth* (2011), *available at* http://www.ipo.gov.uk/ipreview-finalreport.pdf, and the *Wittem Project for a European Copyright Code* (2010), *available at* http://www.copyrightcode.eu/Wittem_European_copyright_code_21%20april%202010.pdf.

[2] *See, e.g.*, Mihály Ficsor et al., Peter Tarrai-Congress: 2012 Kyoto Questionaire: Response by the Hungarian ALAI Group (2012), *available at* http://www.alai.jp/ALAI2012/program/national_report/Hungary.pdf (responding as follows to the question "How can we re-examine or re-evaluate the role of the WIPO Treaties with reference to 'cloud' developments?": "In our view, there is no need for any revision of the WIPO Treaties due to the cloud developments. What is needed is adequate interpretation and application of the provisions of the Treaties in the cloud environment.").

[3] *See, e.g.*, Samuelson et al., *supra* note 1.

choose to concentrate on the structuring of the economic rights, which seem to be a less debated issue in the discussion about copyright reforms than many other issues,[4] but in my opinion are still crucial both for the practical impact and for the legitimacy of the copyright rules.

From an international perspective the content and the structure of what we usually call the economic rights — distinguished from "moral rights," which will not be discussed here[5] — vary to a considerable extent in the details. But the basic structure is very much the same everywhere and follows even from the international conventions: the right holder holds exclusive rights that are positively defined and subject to exceptions or limitations. This is certainly not to ignore the considerable differences in style of regulation, in that "[s]ome laws confer a general right on the author, and then define the content of this right in more detail, while others define each right with considerable specificity."[6] But what I refer to here as the *basic structure* — that the conduct is positively specified with pertaining exceptions or limitations — must be considered as a universal trait in current copyright law. The kind of conduct covered by the exclusive rights may be characterized in a whole lot of different ways, but reproduction, distribution to the public, public performance, public display (U.S.), communication to the public including the act of making available

[4] *But see, e.g.,* Andrew F. Christie, *A Proposal for Simplifying United Kingdom Copyright Law*, 23 EUROPEAN INTELL. PROP. REV. [hereinafter EIPR] 26 (2001) [hereinafter Christie (2001)], Andrew F. Christie, *Simplifying Copyright Law – the Why and the How*, 11 AUSTRALIAN INTELL. PROP. J. 40 (2000); Andrew F. Christie, *Making it Simple – How Copyright Legislation Can Be Simplified*, 6 NEW ZEALAND INTELL. PROP. J. 783 (2011); Daniel J. Gervais, *Towards a New Core International Copyright Norm: The Reverse Three-Step Test*, 9 MARQ. INTELL. PROP. L. REV 1 (2005); Paul Edward Geller, *Beyond the Copyright Crisis: Principles for Change*, 56 J. COPYRIGHT SOC'Y 165 (2008). *See also* ZOHAR EFRONI, ACCESS RIGHT, THE FUTURE OF DIGITAL COPYRIGHT LAW (2011 (in particular chapter 8 (479-532)); SARI DEPREEUW, THE VARIABLE SCOPE OF THE ECONOMIC RIGHTS IN COPYRIGHT (2014) (in particular chapter 3 (492-538)). *See also infra* section IIC.

[5] *See, e.g.,* Berne Convention for the Protection of Literary and Artistic Works art. 6*bis*, Sept. 9, 1886, S. TREATY DOC. No. 99-27, 1161 U.N.T.S. 3 [hereinafter Berne Convention].

[6] *See* 1 SAM RICKETSON & JANE C. GINSBURG, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND 578-80 (2d ed. 2006) (pointing out that "[a]t the risk of oversimplifying one can state that the civil law countries tend toward broadly worded syntheses of the protected rights, while Commonwealth countries follow a more 'pointlist' approach, with the United States incorporating aspects of both legislative techniques," contrasting the French and the Commonwealth regulation).

(EU and the WIPO Treaties) are common categories today.[7] Exceptions or limitations to the exclusive rights may also differ considerably in style, from more open-ended general clauses (like the fair use rule in U.S. law) to detailed specification of what kind of conduct that is exempted from the exclusive rights and may or may not be subject to economic compensation on the part of the right holder. In addition to this two-stage structure many, although not necessarily all, national law regimes contain rules on secondary liability, most likely on the basis of tort or criminal law principles, which in practice means that the assessment of whether copyright is infringed depends on three stages. And if this is not enough, there may even be exceptions from secondary (and primary) liability by way of so-called "safe harbor rules," leading in that case to a four-stage assessment in infringement cases. In addition, the protection of technical protection measures [hereinafter "TPMs"] that has been introduced into copyright law the last two decades represents so to speak, under the current structure, an additional layer of protection outside "regular copyright," with corresponding exceptions, but largely within copyright law, adding further to the complexity of the system and resulting in the end in a "six-stage structure."

This six-stage structure is a symptom of the complexity and, to a great extent, the result of attempts to adapt the existing copyright rules to digital technology. Admittedly, the distinction between primary and secondary infringements has in principle existed in most copyright regimes since long before, but secondary liability was not a major issue before the digital revolution. With the emergence of the Internet, the importance of services facilitating access to works, without necessarily engaging directly in activities that fall under the scope of the exclusive rights, has increased dramatically and consequently so too has the importance of secondary liability. This has in its turn led to a need for "safe harbor rules" for Internet Service Providers, adding further to the complexity. The legal protection of TPMs is definitely a direct result of the right holders' urge for more protection in the digital age as TPMs have been considered crucial in order to control the use of works in the digital environment.[8]

Complexity in law is not in itself inappropriate — on the contrary it may serve important functions.[9] But it may be a problem, with respect to unnecessary information costs and also if it means that the law fails to perform important functions. And transparency is a key factor in this respect. Although technological development has always represented challenges with respect to the application of copyright law, the need for

[7] A general trend is that the categories have expanded over the years as a result of the technological development.

[8] *See infra* section III B.

[9] *Compare* Christie (2001), *supra* note 4, at 27.

transparency was not so pressing in a period where most people's personal consumption of copyrighted works was limited to the use of tangible copies of the work or watching television shows at home or movies in theatres.[10] As the copyright rules today, after the digital revolution, affect people's lives in a completely different and far more intense manner, the public interest in and also contempt for the rules has increased accordingly.[11] In this situation it does not help as to the legitimacy of copyright in the eyes of the public that the system is not far from being impermeable for anyone who cannot afford a good copyright lawyer.[12] Much has been said and discussed about the problems of enforcement of copyright law in the digital age. But enforcement is not everything. People need to understand the rules they are subjected to if we expect the rules to be followed, and in particular if they are difficult to enforce. The complexity of the current structure of the economic rights represents a serious obstacle to the basic understanding of rules regulating people's everyday life. There is therefore a pressing need to do something about it.

This article proposes an alternative model for structuring the economic rights, which is intended to meet the objections sketched out here. The purpose is to present an *idea* of a different way of structuring the

10 *See also* Peter Menell, *This American Copyright Life: Reflections on Re-equilibrating Copyright for the Internet Age*, 62 J. COPYRIGHT SOC'Y 201, 236 (2014).

11 *Compare, e.g.*, John Tehranian, *Infringement Nation: Copyright Reform and the Law/Norm Gap*, UTAH L. REV. 537 539 (2007) ("In decades past, developments in copyright law only received the attention of special interest groups representing the movie, music, and publishing industries as well as the small number of intellectual property academics and attorneys then in existence . . . . Now, copyright law is of direct importance to the hundreds and millions of individuals who download music and movies for their iPods, engage in time- and place-shifting with their TiVos or Slingboxes, own CD or DVD burners, operate their own websites, write blogs, or have personal pages on MySpace, Facebook or Friendster."). *See also id.* at 543 et seq. (illustrating how "the unwitting infringement has become quotidian for the average American."). And even since 2007, the intensity of people's everyday use of copyright protected material has only increased. Reference can also be given to the words of Samuelson (2013). *See, supra* note 1, at 778 ("One reason that copyright law needs to be reformed is because it so pervasively regulates what we can and cannot do lawfully online.").

12 *Compare* Francis Gurry, *The Future of Copyright*, 6 NEW ZEALAND INTELL. PROP. L.J. 781, 782 (2011) ("Copyright is complicated and complex, reflecting the successive waves of technological development in the media of creative expression from printing through to digital technology, and the business responses to those different media. We risk losing our audience and public support if we cannot make understanding of the system more accessible. Future generations are clearly going to regard many of the works, rights and business agents that we talk about as cute artefacts of cultural history . . . .").

economic rights in copyright as part of the discussion about the need for more radical amendments rather than mere adjustments of the current regime, but at the same time based on the notion that the right holder at some level shall retain exclusive rights. Radical copyright reforms are "long shots" and complex matters, but efforts will have to start at one end. Bearing in mind that reforming copyright is indeed a complicated, if not impossible, process, not least due to the massive international regulation of the field, but also because national legislative traditions are difficult to change and certainly pursuant to the heavy economic interests at stake, the model should be considered as something of a thought experiment, with the aim to raise a discussion about the problems we are facing with the present structuring of the economic rights in copyright, rather than a full-fledged reform proposal, which it is far from being.[13]

It should also be emphasized that the reflections on the structuring of the economic rights will have a universal perspective, with particular focus on European, U.S., and international law. It must, however, be added that due to the considerable differences in domestic law as far as the details are concerned, the further implications of the analysis on domestic law will vary. I will come back to this to the extent it is considered necessary.

Both the objections against the current structure and the alternative model that will be presented apply equally to copyright as to what in (continental) Europe and under the international conventions are known as "neighboring rights." For the sake of simplicity we will in the following concentrate on the copyright in works.[14]

I. PROBLEMS WITH THE TRADITIONAL STRUCTURE

The problems we are facing regarding the traditional structure of the economic rights are many-faceted. Symptomatically, today many resources are put into efforts to make the exploitation categories fit with the conduct in question.[15] Numerous examples of legal controversies in this

[13] I do, however, sympathize with the approach of Samuelson (2013), *supra* note 1, at 742, referring to her earlier article about copyright reform (2007, *supra* note 1), which, in the author's own words, "acknowledged the political economy problems likely to impede any effort to move forward with a copyright reform agenda. Yet it suggested that contemplating the contours of a meaningful reform agenda was nonetheless worthwhile. Reform cannot happen if no one begins to consider what a better approach would look like."

[14] The terminology covers both authors' rights regimes and the Anglo-American copyright concept, but again for the sake of simplicity we use the English term copyright as a common term.

[15] *See also* Gervais, *supra* note 4, at 7, who points out that: "[t]he commercial and public relations cost of trying to apply copyright to end-users illustrates a simple fact: it is not what copyright was meant to do. The history and un-

respect can be given, including the debate under U.S. law regarding whether peer-to-peer file sharing is an act of distribution,[16] the legal treatment of hyperlinks and search engines, which has led to a myriad of diverging approaches and results globally, and likewise also the controversy regarding so-called virtual DVRs.[17] Recently a great controversy has started to emerge in Europe as to whether cable TV distributors "retransmit" broadcasts (see, e.g., Berne Convention art. 11bis(ii)) in the changing technological environment where the signal is delivered encrypted from the broadcaster to the distributor.[18] A negative answer in this respect may imply that right holders are not being remunerated for an activity from which they received a considerable amount of money in a different technological environment. Thus, the legal classifications of the conducts in question have obviously huge consequences. Emerging are also controversies regarding whether an act is "on demand" or carried out in "real time," i.e., whether the so-called making available right under the international conventions and European law is in play. A quite simple question, like whether the end users' browsing or streaming of copyright protected material stemming from an illegal source is infringing or not, does not find a clear cut answer in the legislation, since these kinds of actions are likely to be considered acts of temporary reproduction and thus subject to a

derlying policy objectives of copyright indicate that it is a right to be exercised by and against professionals."

16 *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); 2 MELVILLE B. NIMMER & DAVID NIMMER, 2 NIMMER ON COPYRIGHT § 8.11[D], at 8-154.28–8-154.40. *See also* Peter Menell, *Much Ado About Copyright's Making Available Right*, THE MEDIA INSTITUTE (May 9, 2014), http://www.mediainstitute.org/IPI/2014/050914.php.

17 *See* section III.A, *infra*.

18 *See* HR [Hoge Raad] [Dutch Supreme Court] 2014:735, Mar. 28, 2014, NORMA c.s./ NL Kabel c.s. (holding that in order to qualify as a "retransmission" within the meaning of the EU SatCab Directive, the transmission had to be preceded by a primary "communication to the public." Since the cable operators received the signals from the broadcasters, and was not to be considered as "public," the transmission of the signals to the cable operators could not be regarded as a communication to the public. Consequently there was no "retransmission" by the cable operators. For a short discussion of the case in English, see Marco Casper, *Dutch Supreme Court Rules on Cable Transmission*, IRIS MERLIN 2014-5:1/26 (2014), http://merlin.obs.coe.int/iris/2014/5/article26.en.html. Similar reasoning leading to equal results is found in two Norwegian lower court decisions regarding, respectively, digital terrestrial transmissions and cable transmissions. *See* Oslo Tingrett [Olso Dist. Ct.], May 30, 2013, RiksTV AS v. Norwaco; Borgarting lagmannsrett [Borgarting Ct. App.], Apr. 8, 2015, Get AS v. Norwaco (under appeal to the Norwegian Supreme Court).

highly ambiguous regulation, both in the U.S. and not least in Europe.[19] The problems pointed out are only going to increase as a result of the rapid changes in technology, and the question whether the current structuring of the economic rights is apt to deal with the problems we are facing is quite pressing.

One argument for keeping up with the traditional exploitation rights concepts is that the concepts are technology neutral. The problem with this argument is that technology neutrality can hardly be a value in itself, but must meet other ends if it shall serve as an argument in favor of keeping up with the current system. The obvious argument in favor of technology neutrality is that it may lead to consistency in the sense that equal situations are treated equally, independent of technology. A problem in this respect is, however, that technology itself is not necessarily neutral so that applying the same rules to different technological contexts may instead result in different situations treated in an equal manner and, in reverse, equal situations treated differently.[20] The technology neutrality

[19] In EU law, the question depends on the scope of EUCD Article 5(1)(a), which exempts from the exclusive right of reproduction (Article 2) temporary copying that is a) transient or incidental, b) an integral and essential part of a technological process, c) with the sole purpose to enable a *lawful use* of a work or a protected subject matter, and d) has no independent economic significance. The question is whether temporary copies that automatically will be reproduced during browsing of material on the Internet can be considered to enable a *lawful use* where the material subject to browsing stems from an illegal source. The question has not yet been settled by the CJEU. Also under U.S law it is relevant to ask whether temporary copying concerned with browsing and streaming amounts to reproduction. *See* MAI Sys. Corp. v. Peak Computer, Inc., 991 F.2d 511 (9th Cir. 1993). If the answer is in the affirmative, the question is whether it is covered by the fair use provision in Section 107 of the U.S. Copyright Act (1976) (17 U.S.C.). .

[20] One possible example is the application of the exhaustion/first sale doctrine in the digital environment. In the *UsedSoft* case, C-128/11 *Axel W. Bierbach, Administrator of UsedSoft GmbH v. Oracle International Corp.*, July 2012 (not yet reported), the CJEU applied the rule of exhaustion of the distribution right to digital downloads with reference to "the sale of a computer program on CD-ROM or DVD and the sale of a program by downloading from the internet are similar" (para. 61), and that limiting the application of the exhaustion rule "solely to copies of computer programs that are sold on a material medium would allow the copyright holder to control the resale of copies downloaded from the internet and to demand further remuneration on the occasion of each new sale, even though the first sale of the copy had already enabled the rightholder to obtain an appropriate remuneration" (para. 63). There are indeed reasons for being sympathetic with the approach of the CJEU, but at the same time the resale of used tangible copies of software (or other kinds of copyrighted work) is hardly perfectly comparable with the situation where the "purchaser" may download the software from the software producer's web site. Whereas the former may contribute

argument must therefore be treated with considerably caution if it is to fulfill the purpose underlying it.

As an example of the current copyright concepts being far from technology neutral, consider the situation where one of my colleagues has posted an interesting article on the University of Oslo's Web site. I wish to bring the article to the attention of the members of the Norwegian Copyright Society (250 members). One way of doing this is by sending the members an e-mail with a link to the article. An alternative route could, however, be to download the article and send it as an attachment to the e-mail with a reference to where I found it. Taking a dogmatic copyright approach — and taking the common position that the posting of hyperlinks in such a situation is an action outside the scope of the exclusive rights[21] — these two situations will be treated differently in that the for-

in creating a secondary market for used products, the latter implies competition in the primary market. This is not to exclude the appropriateness of allowing some competition even in the primary market, but the solution should be based on that consideration and not a mere analogy from a situation which *is* different.

21 For the U.S., see Perfect 10, Inc. v. Amazon.com, Inc., 508 F.3d 1146 (9th Cir. 2007) (holding that that since the term "display" in the Copyright Act "means 'to show a copy of [the work], either directly or by means of a film, slide, television image, or any other device or process'" (17 U.S.C. Section 101), the generator of the link (in that case Google) does not possess a copy — it only "provides HTML instructions that direct a user's browser to a web site publisher's computer that stores the full-size [copy of the work]." And similar reasoning was also applied when the Ninth Circuit held that links fall outside the scope of the distribution right: "Google's search engine communicates HTML instructions that tell a user's browser where to find full-size images on a website publisher's computer, but Google does not itself distribute copies of the infringing photographs. It is the website publisher's computer that distributes copies of the images by transmitting the photographic image electronically to the user's computer." In European law, the rationale for the same result now is to be found in the decision of the Court of Justice of the European Union [CJEU] in Case C-466/12, *Nils Svensson, Sten Sjögren, Madelaine Sahlman, Pia Gadd v. Retreiver Sverige AB*, Feb. 13, 2014 (not yet reported), where the Court held that the posting of "clickable links" to newspaper articles made available on the Internet by the copyright holder, was not to be considered an act of communication to the public pursuant to Article 3 of the EU Directive on the Harmonization of Certain Aspects of Copyright and Related Rights in the Information Society (2001) [hereinafter EUCD] since that concept presupposes that "the same work as those covered by the initial communication, on the Internet, and therefore by the same technical means, must . . . be directed at a *new public,* that is to say, at a public that was not taken into account by the copyright holders when they authorised the initial communication to the public." Recognizing that the "public targeted by the initial communication consisted of all potential visitors to the site concerned, since, given that access to the works on that site was not subject to any restrictive measures, all

mer method is infringement while the other is not. But are the situations really so different? To be sure, in the "linking situation" it is the owner of the website, or the author herself, who decides how long the article shall be available on the Internet. The relevance of that argument is, however, not a given as also the use of the other method (the "attachment situation") is dependent on the article being available on the net at the time the document is attached to the email. In both situations the receivers of the e-mail will be able to access the article and to make copies of it for private use. In other words, both the hyperlink and the attachment serve as means of accessing the material. So, if the posting of hyperlinks is non-infringing in this situation, why is not the attachment?[22] The distinction between the various means of reaching the same result or effect, depending on the classification of the acts of use, proves the lack of technology neutrality under the current structuring of the economic rights.

II. A MODEL FOR RESTRUCTURING THE RIGHTS ("THE ALTERNATIVE MODEL")

A. Presentation of the Model

1. Outline

In search of an alternative model for structuring the economic rights in copyright that will meet the objections put forward in the foregoing, the ambition is to find a simpler model that provides for a "one stage structure" instead of the current "six stage structure," one that is not predicated on the traditional exploitation rights concept and that is technology neutral in the real sense. This can be achieved by replacing the current system with an overriding norm that is meant to cover all "six stages," i.e., definitions of exclusive rights, limitations to them, secondary liability, safe harbor and protection of technical measures with pertaining exceptions. The overriding norm must necessarily be flexible in order to cover all the

Internet users could therefore have free access to them," the CJEU came to the conclusion that the posting of a "clickable link" to the site did not constitute an act of communication to the public in the meaning of Article 3(1) EUCD (see in particular ¶¶ 24–28 of the decision). Later, the Court reiterated its holdings also with respect to so-called embedded links (inline links). *See* case C-348/13, BestWater Int'l GmbH v. Michael Mebes, Stefan Potsch, Oct. 21, 2014 (not yet reported).

22 And frankly, turning to the ALAI opinion, *On the Making Available and Communication to the Public in the Internet Environment – Focus on Linking Techniques on the Internet* 8-9, *available at* http://www.alai.org/en/assets/files/resolutions/making-available-right-report-opinion.pdf, why should it even matter whether the article is accessed by a "direct link" to the "specific protected material" or a link to the site from where the document may be downloaded?

six stages. The suggestion here is that the overriding norm is articulated as an exclusive right to a *reasonable exploitation* of the work (or other protected subject matter).[23] In this respect the model is based on the premise that the expression "exploitation" is understood in its broadest sense and covers all kinds of conduct that one way or another takes advantage of the work and thus potentially may conflict with the interests of the right holder. In other words the expression is not meant to represent an outer boundary. The only boundary is the requirement that the exploitation be "reasonable." Thus, the exclusive right does not expand beyond its reason.

Now, it is important to underscore that the main point of the model, and consequently also the opening phrase, is to introduce a "one stage assessment" as a replacement of, or an alternative to the current six stage assessment. This does, however, not mean that all the complexity, and ex ante considerations, inherent in the current structuring of the rights are meant to be replaced by a single ex post assessment of what is reasonable exploitation. The starting point — the right to a reasonable exploitation — is intended to be more of a point of departure for the lawmaker than for the courts. In other words, the right to a reasonable exploitation is not meant to be a solution in itself. Certainly, the word "reasonable" is highly ambiguous and the content of it is likely to be subject to almost as many opinions as there are lawyers, depending also on different copyright traditions whether utilitarian or more non-consequentialist oriented, including natural rights concepts.[24] Still, even current international copyright law is predicated on similar concepts, e.g., the so-called three step test,[25] according to which exceptions or limitations to the exclusive rights only are per-

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23 A very preliminary outline of this model was presented in Ole-Andreas Rognstad, *Opphavsrettens innhold i en multimedieverden – om tradisjonelle opphavsrettsbegrepers møte med digital teknologi* [*Copyright in a Multimedia World – On the Junction of Traditional Copyright Concepts and Digital Technology*], 78 NORDISKT IMMATERIELLT RÄTTSKYDD [NORDIC INTELL. PROP. REV.] [hereinafter NIR] 531 (2009).

24 For an overview of different property theories and their application to intellectual property, see, e.g., GREGORY S. ALEXANDER & EDUARDO PEÑALVER, AN INTRODUCTION TO PROPERTY THEORY (2012) (in particular ch. 9 (183-203)).

25 *See* Berne Convention, *supra* note 5, art. 9(2); Agreement on Trade-Related Aspects of Intellectual Property Rights art. 3, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, 108 Stat. 4809, 1869 U.N.T.S. 299 [hereinafter TRIPs]; World Intellectual Property Organization (WIPO) Copyright Treaty art. 10, Apr. 12, 1997, S. TREATY DOC. No. 105-17, 2186 U.N.T.S. 152 [hereinafter WCT]; Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind Visually Impaired, or Otherwise Print Disabled art/ 11, adopted June 27, 2013, WIPO Doc. VIP/DC/8 Rev.

mitted 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.[26] If we as a starting point confirm that the right to reasonable exploitation implies that the right holder shall have exclusive rights to all kinds of use that would not pass the two last steps of the three-step test — i.e., the use would conflict with a "normal use" and represent an unreasonable prejudice to the legitimate interests of the right holder — the situation from a law maker's perspective is similar to what it is today.[27] This also underscores that the essential purpose of the alternative model is to provide for a different *structure* of the economic rights more than changing its content, although the very point of changing the structure is to get a better grip on the problems at stake — in addition to making it more understandable and transparent for the outside world — which in its turn is presumed to have influence even on the content of the solutions.

One of the premises implicit in the proposal to seek a different structure is that the efforts to positively define the acts of use covered by the exclusive rights should be given up. This means in turn that the very starting point for determining the content of the rights should no longer be a description of the acts of use related exclusively to their nature. Taking reasonable exploitation as the starting point, the scope of the right might be determined by the functions and effects of the use as much as the very nature of it, and the use should be considered at large and not by way of

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[26] Indeed, considerable ambiguity surrounds even the interpretation of the three step test, including also the fact that the test is phrased differently in the various treaties, see Andrew F. Christie & Robin Wright, *A Comparative Analysis of the Three-Step Tests in International Treaties*, 45 INT'L INTELL. PROP. & COMP. L. REV. [hereinafter IIC] 409 (2014). Given, however, the statement in Recital 5 of the WCT, *supra* note 21, that the Treaty recognizes "the need to maintain a balance between the rights of authors and the larger public interest, particularly education, research and access to information, as reflected in the Berne Convention," it is possible to view the criteria of the three step test as tools in order to maintain this balance, see inter alia Christophe Geiger, Daniel Gervais & Martin Senftleben, *The Three-Step Test Revisited: How to Use the Test's Flexibility in National Copyright Law*, 29 AM. U. INT'L REV. 581 (2014). *See also* Christophe Geiger, Jonathan Griffiths & Reto M. Hilty, *Declaration on a Balanced Interpretation of the "Three Step Test"*, 39 IIC 707 (2008).

[27] Adhering here to the view that the three-step test is essentially a two-step test and that little time should be spent on finding the proper meaning of "special," see Gervais (2005), *supra* note 4, 15-16. This also implies that the approach of the WTO panel in *United States – Section 110(5) of the U.S. Copyright Act*, WT/DS160R (June 15, 2000) is not followed here. *See* Gervais, *supra* note 4, at 14-15.

definitions attached to technical details.[28] This would give a greater flexibility when approaching the problems in question and also the possibility of bridging the gap, and the possible inconsistency, that exist within the current system, in that the rights are defined by way of the nature of the acts of use while the exceptions and limitations to a great extent are determined by the function or effects of the use.[29]

Thus, the starting point that the right holder shall have the exclusive right to a reasonable exploitation is first and foremost intended as a "one-liner," which serves to bridge the different stages that the current rights structure is predicated on. However, it will be up to the legislator, within the framework of international obligations, including also human rights conventions, to further decide on the implications of that concept. Although it can be argued that this is nothing more than the current set of rights purports to do, the allegation here is that the current structuring of the rights implies that we have lost track with this very important point of departure. By abandoning the current structuring and replacing it with a simplified structure where the concept of reasonable exploitation *is* the point of departure, the idea is to regain control of the essence of sound copyright policy: that the exclusive right shall not expand beyond its reason. The challenge is to find a way of further regulation that combines flexibility with desired degree of specificity

At this point there are various opportunities as to how it can be done. One solution — that will be pursued in the following — is to create a catalog of examples in the statutory copyright provisions of what constitutes and in particular does not constitute acts of reasonable exploitation. For the sake of predictability only, the best option would be to create an exhaustive list of "clear cut" instances of what fall outside the scope of the exclusive rights. That solution would, however, only emphasize some of the problems that we have with current copyright law and in particular in European law. Due to the fast technological changes it is almost impossi-

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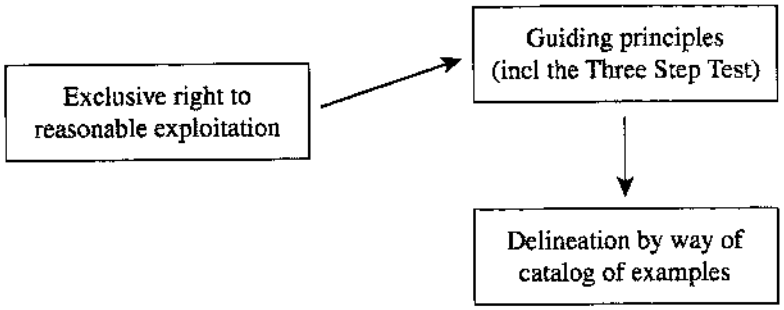
28 Following up on Gervais, *supra* note 4, at 11: "The time is ripe to abandon . . . [the current] legislative approach based on the nature of the act of use and focus instead on its *effect*. Is that not, after all, what rightsholders care about?"

29 *See id.* at 34 ("[W]hile exceptions to copyright have historically focused on the *effects* of a particular use of protected works, the rights to the three step test which these exceptions apply are based on the nature of the use [and that this] has at least two undesirable consequences. First, it forces copyright holders to organize the legal structure of protection against technical forms of use where in fact their real concern is with the market and the effects that a particular use may have in reducing or enhancing future market options. Second, there is a logical discrepancy between the right and the exception which renders exceptions difficult to apply and their borders very difficult to circumscribe.").

ble to predict future modes of uses, so a "closed list" is likely to reflect yesterday's copyright problems as soon as it is adopted, the exhaustive enumeration of acceptable exceptions and limitations in the European Copyright Directive being a good example.[30] The catalog of examples must therefore necessarily be non-exhaustive. The catalog may, however, form basis for analogies. In addition the overriding norm of "reasonable exploitation" with reference to the two last steps of the three step test may function as a supplementary norm in case the catalog of examples does not give sufficient guidance so as to solve the problem in question. In addition it would be possible to implement some further guiding principles as to how to carry out the latter assessment.[31] The model may thus be illustrated as follows:

[30] *See, e.g.*, Bernt Hugenholtz, *Why The Copyright Directive is Unimportant, and Possibly Invalid*, 11 EIPR 501, 502 (2000) ("Of course, the whole idea of drawing up a finite set of limitations was ill-conceived in the first place. The last thing the information industry needs in these dynamic times are rigid rules that are cast in concrete for the years to come. How can a legislature in his right mind even contemplate an exhaustive list of limitations, many of which are drafted in inflexible, technology-specific language, when the Internet produces new business models and novel uses almost each day?").

[31] These guiding principles should be predicated on the three step test and could consist of some core principles essential to modern copyright. Inspired by the so-called "mid-level principles" mapped out by Merges, proportionality, efficiency, dignity and "non-removal" (public domain) could serve as such guiding principles. *See* ROBERT P. MERGES, JUSTIFYING INTELLECTUAL PROPERTY (2011) 139-91. In addition also fundamental rights like freedom of expression should be included in the guiding principles, however emphasizing that the focus is on copyright as expression *enhancing* function. *See, e.g.*, David McGowan, *Why the First Amendment Cannot Dictate Copyright Policy*, 65 U. PITT. L. REV. (2003–04) 301-07, 315-18 (pointing out the importance of the ex ante perspective of expression in addition to the ex post perspective, and the interrelationship between what he calls "upstream expression" and "downstream expression."). *See also* NEIL W. NETANEL, COPYRIGHT'S PARADOX 81-107 (2008) (although with a different view on the impact of the First Amendment of the U.S. Constitution). For a recent European perspective on the importance of freedom of expression for the development of modern copyright, see Christophe Geiger & Elena Izymenko, *Copyright and the Human Rights' Trial: Redefining the Boundaries of Exclusivity Through Freedom of Expression*, 45 IIC 316 (2014).



2. *Further Delineation of the Exclusive Rights: The Catalog of Examples*

According to the alternative model outlined above, the concrete delineation of the exclusive rights will be based on a catalog of examples in particular of what *does not* constitute a reasonable exploitation that only the right holder is entitled to carry out herself, and consequently in a position to forbid. From this catalog it could antithetically be deduced what kind of conduct that *is* covered by the exclusive rights, but the fact that a certain kind of conduct is *not* explicitly covered by the catalog of examples would not automatically mean that it pertains to the right holder's exclusive rights. It should not even be a presumption thereof. What matters is whether it is reasonable that the right holder shall control the kind of conduct in question, and the answer should be found by applying the guiding principles and analogizing from the catalog of examples. The assessment should be carried out on an open and impartial basis and no general rules of burden of proof or burden of arguments should apply in this respect. Moreover, the fact that the exclusive right to a reasonable exploitation will be delineated by way of concrete examples does not mean that exploitation is the general rule while the right of use remains the exception. This follows from the fact that only *reasonable* exploitation is covered by the exclusive rights so that the alternative model in not based on the current "two stage assessment" of general rules versus exceptions.

Even though the alternative model is intended to step away from the current structuring of the economic rights it would not be the intention to undermine aspects of the current system that are considered to be working well. Many of the "exceptions and limitations" in current copyright law may be continued as demarcation lines of what does not amount to a reasonable exploitation, and the same counts for uses that today fall outside the scope of the basic concepts. But the functions of the catalog of examples are intended to extend far beyond transforming existing exceptions and limitations into delineation of rights under the alternative model. First, the delineation must also reflect the fact that the concept of exploita-

tion is not meant to serve as a demarcation line and that the only delineation point is what is considered reasonable. For example, the question of remoteness, which under the current system to some extent follows implicitly from the delineation of the traditional concepts, should be addressed. Secondly, with the approach of the alternative model one would also have to draw lines according to what today are limits to secondary liability, including limits to liability of service providers. Thirdly, current exceptions, limitations or delineation should not function as a strait jacket under the alternative model as there is definitely also need for other types of delineation, which I will illustrate in the following.

Even a more general fair use rule, like the U.S. Copyright Act, section 107, could serve as a demarcation tool under the alternative model. Indeed, the structure of the model implies that a fair use rule is not necessary in order to secure flexibility, as already the fact that the exclusive right will be limited to *reasonable* exploitation, with reference to the criteria of the three step test, gives room for a flexible approach outside the areas of more concrete demarcation. Nevertheless, lessons learned from the application of general clauses like the fair use rule may be useful when determining what falls outside the scope of reasonable exploitation. The question whether the fair use concept should be altered or adjusted for this purpose is left open here.[32] An ambition should in any case be that clear rules are sought whenever considered appropriate.[33] End users' need for predictability as far as their "everyday use" of copyrighted works is concerned is an obvious aspect to take into consideration in this context.

It follows from this that the style of regulation in the catalog of examples in the statutory provisions may vary from overarching and general standards to more concrete rule regulation. A combination of the two in order to address the same problem may also be conceivable. And in any case they will have to be supplemented by the overriding norm of reasona-

[32] For a discussion of a broader fair use approach than the one that follows from the current U.S. Copyright Act, see, e.g., Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1. 95-106 (2004). *See also* NETANEL, *supra* note 31, at 62-65; Samuelson et al., *supra* note 1, at 1128-29.

[33] This touches the more general discussion about specificity vs. flexibility in law. *See, e.g.*, Louis Kaplow, *Rules vs. Standards: An Economic Analysis*, 42 DUKE L.J. 557 (1992). In the context of copyright specifically, see the Dutch study, ROB VAN DER NOLL ET AL., FLEXIBLE COPYRIGHT, THE LAW AND ECONOMICS OF INTRODUCING AN OPEN NORM IN THE NETHERLANDS (2012), *available at* http://www.ivir.nl/publicaties/download/760, where the economic benefits of introducing an open "limitation" alongside the existing copyright limitations is discussed, including the downsides of legal uncertainty. For an analysis demonstrating the advantages of the catalog style of regulation, see Gideon Parchomowsky & Alex Stein, *Catalogs*, 115 COLUM L. REV. 165 (2015).

ble exploitation and the guiding principles. The idea is further that the legislation should be subject to periodical updates of the catalog in order to respond to technological changes. Realistically, such updates cannot be made so frequently as to respond to any technological development, so the courts will also have to base its decisions on analogies from the current catalog, in addition to more basic principles.

As the main purpose of this article is to present the idea of the alternative model, and not to provide for a full-fledged reform proposal, a complete list of catalog examples will not be provided for here. It also follows from what has been said that the model may be implemented in different ways. However, in order to concretize the idea of the example catalog, some possible (and indeed non-exhaustive) options will briefly be outlined here. Further implications will be discussed in section 3 below.

- *Remoteness and de minimis.* It would follow from the proportionality principle as a guiding principle[34] that only use that is necessary to attain the purpose of copyright protection should be covered by the exclusive rights. With the broad concept of "exploitation" it should therefore be specified in the catalog of examples that use that has a remote connection to the work is not covered by the right to reasonable exploitation. This could be done both by way of a general phrase and by more concrete examples, e.g., that the mere provision of equipment enabling dissemination of the work falls outside the scope of the exclusive rights.[35] Likewise, even though a use may not necessarily be characterized as remote in relation to the work, it may have minimal impact on the interests of the right holder, and uses with such minimal impact should also fall outside the scope of the exclusive rights. Thus, the catalog of examples could include even a de minimis rule[36] as well as explicit delineation of specific de minimis uses.[37]

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34 *See supra* note 31.

35 *See, e.g.*, Agreed Statements to Article 8 of the WCT, *supra* note 25; EUCD rec. 27, *supra* note 21.

36 An example of an already existing draft model in this respect is the Wittem project for a European Copyright Code, *supra* note 1, art. 5(1), proposing to permit the following uses with "minimal economic significance": the making of back-up copies, incidental inclusion of a work in other material and use in connection with the demonstration or repair of equipment or reconstruction of an original or a copy of the work. In addition the draft code (article 5(5)) contains a general clause resulting in that also "comparable" use is permitted under certain conditions. Certainly, every proposal of this kind will be subject to close scrutiny, and it is possible both to imagine other examples of use of minor importance and to criticize the exact wording of the draft provision. *See* Jane C. Ginsburg, *European Copyright Code – Back to First Principles (with Some Additional Detail)*, 58 J. COPYRIGHT SOC'Y 265, 289-90 (2011) for a critical analysis. Anyhow, the novelty of the Wittem project in this respect compared to current law is that it explicitly recognizes a de minimis rule, and this could be an example to be followed also under the alternative model.

- *Revising the private/public dichotomy.* The distinction between private and public use has traditionally played a central role in copyright law, both on the international and on the domestic level. To be sure there is no explicit reference to private *copying* in the international treaties, but all other rights save the reproduction right are linked to the fact that the conduct in question is aimed at the public; communication to the public, public performance, distribution to the public, public rental and so on. Moreover, many domestic copyright laws, including the European Union Copyright Directive (EUCD),[38] but not the U.S. Copyright Act, have specific private copying provisions in addition to their variants of making available works to the public. The private/public dichotomy rests on historical ground and may still find its justification at some level. There are, however, considerable problems with applying the distinction to the current technological environment where the distinction between private and public use becomes more or less totally blurred. Under the alternative model we have liberated ourselves from the general distinction between private and public use as the core question is whether it is reasonable that the right holder shall control the specific use. This opens up different kinds of solutions than what follows from the current rights scheme,[39] the idea be-

[37] *See, e.g.*, the instance mentioned by Menell, *supra* note 10, at 316, who points out that "[c]opyright's broad protection of pictorial, graphic, and sculptural works create 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," and that "[a]lthough sculptors and billboard artists rarely pursue such claims — likely due to copyright's de minimis and fair use doctrines — 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." Under the alternative model the catalog of example may explicitly enumerate such uses as falling outside the scope of the exclusive right to a reasonable exploitation of the work.

[38] *See supra* note 21.

[39] *Compare* JESSICA LITMAN, DIGITAL COPYRIGHT (2001) at 180-82 (advocating "recasting copyright as an exclusive right of commercial exploitation."). It is important to underscore that the alternative model does not imply such a recast — it only suggests that the distinction between commercial vs. non-commercial use may be relevant when assessing whether it is reasonable that the right holder controls the use in question. An example of an alternative to the traditional private/public distinction in the digital age is the suggestion by Menell, *supra* note 10, at 314-15, to hold "experimental self-expressive use" expressly outside the scope of the exclusive rights: "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."

ing that the alternative model contains much more flexibility as to what kinds of criteria that are apt to solve different problems.

- *Uses for specific legitimate purposes.* In line with what is the case under the current rights structure, the delineation of exclusive rights in the catalog of examples would to some extent consist in enumerating uses for specific legitimate purposes as falling outside the scope of the exclusive right to a reasonable exploitation, upon or without economic compensation of the right holder. Non-exhaustive examples are uses in libraries, archives or museums, uses for educational purposes and scientific research, uses for parody and satire, quotations for any kind of purpose, news reporting uses, uses for the benefit of disabled persons, and uses in connection with administrative, parliamentary or judicial proceedings. The delimitation of the right to reasonable exploitation should be use oriented in general, even for specific purposes, and not tied to the traditional concepts of exploitation rights. Only to the extent that just specific uses should be permitted, this should be emphasized in the catalog.[40] Also at this point it shall be refrained from discussing the details of the scope of the exclusive right under the alternative model, the main purpose being to demonstrate how the model can be implemented.

- *"Re-dissemination"of received information.* Partly overlapping with the foregoing is the question about, to use a neutral expression, re-dissemination of received material. Under the current rights structure the right holder has in principle the exclusive right to re-dissemination, to the extent it is covered by the relevant classifications of exclusive rights (whether it is distribution to the public, communication to the public or any other), but subject to possible exemptions. One well-known example of an exemption is the exhaustion or first sale doctrine, which first and foremost applies to distribution of tangible copies, although the Court of Justice of the European Union (CJEU) to some extent has extended the European exhaustion doctrine to the online context,[41] leaving inter alia great uncertainty regarding scope of the concept of distribution in European law.[42] Beyond the exhaustion/first sale rule the regulation of re-distribution or re-dissemination of copyrighted material is highly fragmented and partly incoherent. The alternative model carries the potential for a far more consistent and coherent regulation of re-dissemination issues, as the base question is not how to classify the various kinds of conduct, but whether it is reasonable that the right holder has exclusive right to the conduct in

40 The Wittem proposal for a European Copyright Code, *supra* note 1, reflects this idea to a great extent, even though the traditional concepts are maintained in the proposal. *See* Article 5 of the proposal.

41 *See supra* note 20.

42 *See* Ole-Andreas Rognstad, *Legally Flawed but Politically Sound? – Digital Exhaustion of Copyright After UsedSoft*, 1 Oslo L. Rev. 1-19 (2014), *available at* https://www.journals.uio.no/index.php/oslawreview.

question.[43] This includes inter alia the potential for regulating the question about the lawfulness of informational tools and systems, like hyperlinks and search engines, consistently and coherently.[44]

- *Limits to access control.* The current economic rights regimes do not explicitly enumerate the right to control access to the work among the exclusive rights belonging to the copyright holder. However, the right to access control follows implicitly from various and fragmented sets of rules.[45] Under the alternative model, the right to access control is inherent in the right to reasonable exploitation, but must be delineated for various reasons, not least freedom of expression. The catalog of examples must therefore necessarily contain rules delineating the right holder's right to access control.

- *Facilitation of access to and use of copyrighted works.* The development of digital technology in general, and so-called cloud computing more specifically, has dramatically increased the importance of the intermediary service provider, i.e., an economic actor who facilitates the dissemination or acquisition of the work. Although not completely without parallels in the analog era,[46] the emergence of Internet and more recently the development of cloud computing technology imply that the supply of resources to disseminate and acquire works has become a crucial element for people's enjoyment of works, which also to some extent blurs the distinction between primary and secondary conduct. With the current rights structure, the liability of facilitating services depends partly on the exclusive rights and partly on rules on secondary (indirect) liability with pertaining exceptions or limitations. Under at least the extreme variant of the alternative model, which aims at a one stage structure only, facilitation services as such may be handled under the right to reasonable exploitation, which indicates a pressing need for delineating the right holder's possible right to control such services in the example catalog. In section III.C these issues will be further discussed.

B. Some Possible Objections to the Model – And Counterarguments

1. New Rules Are Unlikely to Represent Any Change to the Better

A common objection to any proposal for changes in law is that it will not work or even that it only will make things worse. An expressed exam-

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[43] Solutions as to how to deal with user generated contents, e.g., suggestion for a compulsory license for remixing, see, e.g., Menell, *supra* note 10, at 318-23, or even the Canadian "fair dealing exception" for non-commercial user generated content. *Cf.* Canadian Copyright Act § 29.21, R.S.C., ch. C-42 (1985) (fitting well with the alternative model).

[44] *See infra* section III.A.

[45] *See infra* section III.B.

[46] For example, transcription agencies, copy shops and even distributors of recording equipment.

ple of this fatalistic view in the copyright field is Burk's statement that: "[m]ost of the problems that we have already in copyright law are the result of someone proposing legislation" and that "[e]ach time legislation is proposed, we get a few more problems, and only rarely solve the problem that we meant to solve with the proposal."[47] There is certainly always a risk that this will happen, but the observation is too general to stand for scrutiny. To be sure Burk undoubtedly has a point when he warns against statutory solutions in the innovation sector because of the dynamics of the sector.[48] On the other hand the problems with the current copyright legislation pointed out in the foregoing can hardly be solved in any other way than by amending the provisions that are working poorly, and one of the intentions of the model is to take greater consideration to the dynamics of the field. And there are of course precedents showing that reforming a failed legal system can work. What has been called "the most spectacular success story in the history of American law" — the drafting of the Uniform Commercial Code, and in particular its sale provision in Article 2 — is an obvious example.[49] Article 2 replaced the Uniform Sales Act of 1906 with the background that "[b]y the late 1930s there was widespread agreement that its provisions were obsolete, frustrating both fairness and efficiency in the marketplace."[50] The legislative solution of Article 2 of the UCC was based on much of what I suggest here — a combination of overriding norms, guiding principles, and more concrete rules. This is not to say that the restructuring and redrafting of an unsatisfactory legal framework are likely to remedy all problems — that is of course a totally unrealistic scenario.[51] Still, if it can contribute to a clearer and more accessible,

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47 Dan L. Burk, *Method and Madness in Copyright Law*, UTAH L. REV. 587, 617 (2007).

48 *See* Dan L. Burk, *Reflections Through a Darkling Glass: A Comparative Contemplation of the Harvard College Decision*, 40 CAN. BUS. L.J. 219, 231 et seq. (2003).

49 For this characterization, see 1 JAMES J. WHITE & ROBERT S. SUMMERS, UNIFORM COMMERCIAL CODE 5 (3d ed. 1988).

50 *See* Caroline Edwards, *Article 2 of the Uniform Commercial Code and Consumer Protection: The Refusal to Experiment*, 78 ST. JOHN'S L. REV. (2004) 663, 685 (2004) (citing Allen R. Kamp, *Between-the Wars Social Thought: Karl Llewelyn: Legal Realism, and the Uniform Commercial Code in Context*, 59 ALB. L. REV. 325, 335 (1995)).

51 *See* Summers, *in* WHITE & SUMMERS, *supra* note 49, who discusses what he calls the "Uniform Commercial Code Romanticism" ethos, including the following four main tenets: (1) It is possible to put all (or nearly all) commercial law into a comprehensive code; (2) If the law is put into a code . . . then its generally precise text will greatly reduce uncertainty, enhance predictability, and diminish the volume of legal disputes; (3) If the law is put into a code and all the states adopt it, then we will have a uniform body of commercial law among the several states; (4) With all the law in a code, this

more consistent, more transparent and less confusing legal framework, it should be worth considering.[52] In section III I will elaborate more on why I think it will.

2. Too Vague for Constituting a "Property Right"?

Another possible objection could be that copyright as a property right cannot depend on a vague sentence that the owner of the right has the exclusive right to a reasonable exploitation of the work. However, as already emphasized, the statement that the right holder shall have exclusive rights to a reasonable exploitation is only the starting point, and the ambition should be to create room for clearer boundaries than what follows from the present structure. In many ways the model presented here will by

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code will be adaptable to change, and frequent amendment will not be necessary. Summers concludes that "[e]nough facts are now in, and the truth is that all four of the foregoing tenets are either false or fanciful." On the other hand his co-author White, whose survey in James J. White, *Evaluating Article 2 of the Uniform Commercial Code: A Preliminary Empirical Expedition*, 75 MICH. L. REV. 1262 (1977), is used by Summers to support the allegation that:

> [T]he Code may not have reduced uncertainty, enhanced predictability, or diminished the volume of disputes," . . . "believes that the romantic ideals that Summers list have been achieved to a much greater extent than Summers or others will concede. If one puts himself in the position of a lawyer who is attempting to resolve a commercial law problem for a client in 1938 on the one hand and in 1988 on the other hand, would anyone doubt that the lawyer in 1988 would find the law more uniform, more certain, more precise and more sensible? Only one who had been embarrassed by his earlier excesses of romanticism would deny such was the case.

Id. at 21-22.

[52] This is a shorter paraphrase of the concluding statements of the chief drafter to the UCC, Professor Karl N. Llewelyn, in his essay *Why We Need the Uniform Commercial Code*, 10 FLA. L. REV. 367, 381 (1957) ("(1) If all the Code did had been to put into clear and accessible form *some* rule on the several thousand points it covers, that would alone, in the present state of the bar's knowledge and of the law's inaccessibility, make it worth adoption. (2) If all the Code did had been to clear up confusion and pick the wiser rule and cure obsolete and unfair rules which lay traps, in regard to the hundreds of points on which it does one or all of these things, that would alone, in the present condition of commercial law, make the Code worth adoption. (3) If all the Code did had been to reorganize the law of sales, collections, investment securities, and chattel security to fit modern need and for easy use, which would alone make it worth adopting. (4) If all the Code did had been to elicit and make available that body of accessible wisdom on how to handle the counseling phases of commerce and commercial finance which has been built around the Code, which alone, in the present state of legal literature, would make the Code worth adopting. But the Code does each of these things. It does them all at once.").

nature be more "modular" than the present structure, in that it avoids the positive enumeration of specific kinds of conduct covered by the exclusive right (the bundle of sticks structure), and in *this respect* it will be more "property like."[53] In other words, even though the point of departure — namely the formulation of a right to *reasonable* exploitation — on the face of it points in the direction of a more tort-like *standard*, the abandonment of the governance oriented specification of entitlements may, in combination with the ambition to seek for clearer ("no-trespass") boundaries where appropriate by way of the catalog, move the model more in the direction of a modular property-like regulation. The demonstration and further implications of this must be left for another day.

3. Consequences for Licensing Practices

A third possible objection could be that a classification of different kinds of economic rights (reproduction, distribution, performance and so on) is necessary or at least useful for businesses with respect to licensing of rights and that the abandonment of such classification will create much uncertainty in this respect. It should be emphasized, however, that the traditional right concepts need not be totally abandoned under the alternative model, the main point of which being that the exploitation rights structure should be altered in order to prevent the boundaries of the exclusive rights from being determined by these concepts. To some extent the concepts may be useful when delineating the scope of the rights. On the other hand, changing the structure means that we should not be bound by the traditional concepts, which may also represent a strait jacket for businesses. Under the alternative model, businesses would be more at liberty to develop their own categories that are better adapted to technological development. The abandonment of the traditional concepts as tools for determining the scope of the rights may also contribute to the abandonment of overlaps in licensing contracts. For example, the right to online exploitation of works need not cover reproduction, communication to the public, distribution, public display and so on — it is sufficient that it covers online exploitation.

4. Weakening or Strengthening of Right Holders' Position?

Any idea concerned with amending copyright law is likely to be met by opposition or suspicion both from right holders and from users of copyright protected material fearing that their position will be weakened as a result of the amendment. The alternative model is, however, first and foremost aimed at restructuring the rights in order to improve the applica-

[53] *See* Henry E. Smith, *Intellectual Property as Property, Delineating Entitlements in Information*, 116 YALE L. J. 1742 (2007).

bility of the rules. The further content, i.e., what constitutes a reasonable exploitation, must be determined by legislators or courts within the framework of international conventions. From a right holder's perspective it is indeed hard to argue that her position should extend beyond what is reasonable or that the protection should be disproportionate. Thus, any possible weakening of the right holder's position as a result of the alternative model will imply that the decision makers are of the opinion that the right holders have previously been overprotected. And overprotection shall not be encouraged.

Users may on their part fear that right holders will lobby for more protection with reference to a claim for reasonableness and that courts will accept corresponding claims in proceedings, on the background that the catalog of examples of what falls outside the scope of the exclusive rights is not meant to be exhaustive. It is, however, hard to see that the alternative model in itself would facilitate expansion of rights to a greater extent than the current system. On the contrary, as already indicated, the checks and balances will be more express under the alternative model, and the greater transparency that it provides for is also believed to make it harder to succeed with claims for overprotection. The handling of technical protection measures (TPMs) may serve as an illustration in this respect.[54]

C. Relation to Other Restructuring Proposals

The suggestion to restructure the economic rights in copyright is certainly not new, although other kinds of reform proposals in the copyright field seem to be more common. The alternative model is to some extent predicated on previous ideas, but goes further in various respects. Notable is for example *Christie*'s proposal of simplifying Commonwealth copyright law. In various articles over the last fifteen years, Christie has suggested a simplification of the copyright rules in respectively Australia, the UK and New Zealand along the same lines, although these countries' rules differ to a considerable extent.[55] As far as the exclusive economic rights are concerned Christie proposes to replace current categories with only two — the right of reproduction and the right of dissemination to the public — where the latter includes activities today characterized as performance, distribution, communication, broadcasting and so on.[56]

Similarly, Geller has proposed a principle of an "all comprising" right to dissemination, but contrary to Christie's reform proposal Geller's principle is meant "to subsume all of creator's other rights."[57] The right of

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[54] *See infra* section III.B.

[55] For references, see *supra* note 4.

[56] Christie (2001), *supra* note 4, at 37-39.

[57] Geller, *supra* note 4.

dissemination is presented as a core principle among ten tentative principles which are meant to "guide judges in fashioning relief in hard cases increasingly endemic in copyright law."[58] These proposals are based on the same premise of simplification as the alternative model, but still also on the current two stage assessment, even though much is done in order to simplify the categorization of the rights. With Christie's proposal we would still have to decide whether a certain kind of conduct can be classified as reproduction or dissemination to the public before asking whether an exception or limitation to the exclusive rights applies. Likewise, also under Geller's principles one would have to assess the scope of the concept of *dissemination* before addressing the scope of the dissemination *right.*

Moreover, the alternative model has also certain resemblances to Gervais's reverse reading of the three step test.[59] A regime *exclusively* based on a reverse reading of the highly ambiguous criteria of the three step test would, however, be likely to shift the handling of complexity from ex ante to a case by case ex post assessment and hardly provide for much predictability. Under the alternative model the criteria under the three step test only has an ancillary function. Also, what remains a bit unclear about Gervais's reverse reading of the three step test is how to delineate the concept of "use" and how to draw the line between primary and secondary infringement if we are not to focus on the nature of the use as the article does not address this problem. Under the alternative model the problem is remedied, as the concept of "exploitation" at least is meant to carry the potential to be understood in its broadest sense and not in itself representing any boundaries, leaving the boundary to the concept of "reasonable."

Thus, a major difference between the alternative model and all the above approaches is its potential to function as a real one-stage assessment only, integrating even questions of secondary liability and protection of TPMs under the one-stage structure. The alternative model therefore goes further in restructuring the economic rights than the other proposals, although there are resemblances as to the efforts to simplify the current system and, in particular as far as Gervais's reversed reading of the three step test is concerned, to remedy the problems concerned with focusing on the nature of the use in the steadily shifting technological environment.

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58 *Id.* at 179.

59 Gervais, *supra* note 4, at 27-30.

III. THE FURTHER IMPLICATIONS OF THE ALTERNATIVE MODEL

As pointed out in the introduction, a main concern with current copyright legislation is that it has become extremely complex and complicated. This counts for the system as such, but also for the structuring of the economic rights considered in isolation.

The alternative model presented here is designed to meet the need for simplification. Indeed, as long as one accepts the premise that authors should have exclusive rights to their works, some complexity is unavoidable, since the modes of exploitation are close to indefinite. But also for this reason we should give up the attempt to positively define them and rather focus on the delineation of the rights. After all, what matters is what people and undertakings can or cannot do. Instead of asking about the characterization of a certain behavior, which may or may not be lawful depending on whether it is covered by an exception/limitation, or if the behavior falls outside the characterization whether it may still be unlawful if it fulfills the requirements of secondary liability, or maybe not if it is covered by a "safe harbor" — under the alternative model we simply ask if it is reasonable that the right holder shall control the conduct in question. Either we find concrete evidence for answering the question in the catalog of examples or we must find the arguments by use of other sources, including the guiding principles and analogies from the example catalog.

As far as the complexity is concerned, the remedies inherent in the alternative model consist of three major features that will be elaborated on in the following. The first is that the two stage structure that follows from the current regime, in that the exploitation rights need to be defined before addressing whether an exception or limitation applies, is abandoned in favor of a one-stage structure depending on whether it is reasonable or not that the right holder shall control the conduct in question. The second feature is that the question of access control and thus protection of technical protection measures [TPMs] and digital management rights systems [DRMs] can be integrated in the exclusive rights model so there will thus be no need for an "additional layer of protection" as under the current structure. Finally, as already indicated, the alternative model carries the potential to make the distinction between primary and secondary infringement obsolete, as all kinds of conduct which may affect the interests of the right holder may be covered by the exclusive right so far it is considered to be reasonable. All these three features will be elaborated on in the following.

A. *One Stage Delineation Instead of Two*

The most apparent feature of the alternative model is the abandonment of the exploitation rights concepts as determining factors for assessing the scope of the exclusive rights. Instead the model is predicated on the base point that the right holder should be entitled to whatever modes of exploitation that are considered reasonable, taking account of the criteria of the existing three step test. If one starts with confirming that the right holder shall hold exclusive rights in uses that — carried out by other parties without consent — would conflict with the normal exploitation of the work and represent an unreasonable prejudice to the right holder's interest, one would at least get rid of the two-stage assessment inherent in the current rights vs. limitations kind of structure. Instead of asking whether an act falls under the scope of the exclusive rights, and if affirmative whether an exception applies, the core question is simply whether the use conflicts with the normal exploitation of the work and represents an unreasonable prejudice to the right holder's interest. This provides for a one-stage assessment — either it does, and it falls under the exclusive rights, or it does not and falls outside the scope of the rights.[60]

Thus, the approach is — unlike the current one — not prejudicial in that it does not require a specific *justification* by way of exceptions or limitations to a defined set of rights. Illustrating the latter is the approach of the Court of Justice of the European Union [CJEU] in the *Infopaq I* case, repeated also in later cases.[61] There the CJEU referred to its earlier case law on interpretation of EU directives, stating that "the provisions of a directive which derogate from a general principle established by that directive must be interpreted strictly." This case law was used as an argument in favor of a strict interpretation of the exceptions and limitations to the exclusive rights laid down in the EU Copyright Directive [EUCD]. This reasoning is not rooted in the objectives of copyright law — only in the structuring of the rights.[62] It is also to be noted that the general notion that "exceptions" to exclusive rights are to be construed narrowly may easily come in conflict with (other) fundamental rights such as e.g. the

60 *Compare* Gervais, *supra* note 4, at 28.

61 Case 5/08, Infopaq Int'l AS v. Danske Dagblades Forening, [2009] ECR I-6569, ¶ 56.

62 It should be recognized, however, that later case law of the CJEU on exceptions and limitations of the Copyright Directive emphasizes the need for a "fair balance" between copyright and other interests, like freedom of expression. *See, e.g.*, case C-467/08, Padawan SL v. SGAE, [2010] ECR 10055 para. 43; case C-145-10, Eva-Maria Painer v. Standard Verlags GmbH et al, [2011] ECR 12533, ¶ 133 (parody); case C-201/13, Johan Deckmyn et al. v. Helena Vandersteen, decision of Sept. 3, 2014, ¶ 26 (not yet reported).

freedom of expression,[63] and it can hardly be disputed that exclusive rights should be determined on the basis of the *legitimate* interests of the right holder — not on dogmatic principles that may result in overprotection as far as the interests are concerned. This may be achieved by abandoning the traditional two-stage structure of the economic rights. That will on the other hand not imply that the right holders' interests are hampered — on the contrary it implies that they should be secured. Overprotection is neither in the interest of the right holders nor society at large.

As pointed out above the alternative model is predicated on the abandonment of the "bundle of sticks" approach in current copyright law, realizing that the attempts to positively define the conduct that should be covered by the exclusive rights are deemed to fail at some level in the ever changing technological environment. Instead, under the alternative model we concentrate on possible ways of delineating the right by way of the catalog of examples. In this respect it is possible to focus on the functions and effects of the use and not only the nature of the acts of use. This is, however, not to say that the nature of the use is irrelevant or unusable as a demarcation point, but cautiousness must be shown in this respect in order to avoid the delineation of the rights depending on descriptions that are not reconcilable with technological development. The following two examples of how current controversies in copyright law may be handled under the alternative model shall illustrate the benefit of the model. A more detailed elaboration of the consequences of the model and its potential will be left for another day.

One controversy that has given rise to endless discussions and court decisions throughout the world is the handling of hyperlinks and search engines on the Internet. At the heart of the legal conflicts lies the legal classification of links and other types of operation carried out by search engines, i.e., whether and to what extent acts of reproduction, communication to the public (EU), public display or distribution (U.S.) are involved, and if affirmative whether there are sufficient grounds for justification of the use. Different approaches to the various questions that occur in this respect have been taken, also leading to diverging arguments and results in various jurisdictions.

Under the alternative model we have liberated ourselves from having to decide on the classification of the kind of use involved in the operation of links and search engines. From a functional perspective what is essential about them is that they are tools that are extremely useful in order to navigate and find content on the Internet. At the same time search engines and links may form the basis for the development of business models, and the question is whether such use to some extent will conflict with

[63] *See, e.g.*, Geiger & Izymenko, *supra* note 31, at 323-25.

the normal use of copyrighted material and be prejudicial to the legitimate interests of the right holder.

In this respect the value of such business models for the benefit of the right holder and the dissemination of her works is highly relevant. From a legislator's perspective regulation should not necessarily be aimed at links and search engines specifically, as the problem to be regulated extends beyond the mere methods that are used for information retrieval. Given that the existence of information retrieval systems is desirable, also from a right holder perspective, it must be recognized that any such system will need to include at least three functions: (i) a retrieval function, helping the user to find the material; (ii) a relevance function, which makes it less time-consuming for the user to determine the possible relevance of the retrieved material; and (iii) a source function, which make the identified and possibly relevant material available to the user. Without these three functions, any information system will be functionally disabled.[64] A functional approach to information systems like links and search engines should therefore, at least imply, that they are legal to the extent that they are necessary to secure these basic functions. Under the alternative model this could be expressly established in the catalog of examples without having to decide on the nature of various acts involved in the operation of the information systems. At the same time it is important in a steadily changing technological environment that the law does not discriminate as to what kinds of tools or methods are used.[65] In any event it cannot be expected of the average user of the Internet to be able to distinguish between different tools that basically carry out identical or similar functions.

On the other hand, it has to be taken into consideration that the more systematic use of information tools and systems in certain situations is likely to affect the economic interests of the right holder negatively. That *may* for example be the case when professional information services take advantage of a potential market for the use of the work, e.g., news aggregation services.[66] In this respect the default rule that use of information

64 *See* Jon Bing, *Legal Text Retrieval and Information Services*, 48 ENCYCLOPEDA OF LIBRARY AND INFORMATION SCIENCE 219 (1991). The ideas presented here about information services are results of discussions with Professor Bing and follow also, although in more detail, from Ole-Andreas Rognstad & Jon Bing, *Søkemotorer på Internett i opphavsrettslig belysning* [*Search Engines on the Internet in a Copyright Perspective*], NIR 345, 364-64, 372-74 (2012).

65 *See* the example in section I *supra* (by note 21).

66 *See, e.g.*, NETANEL, *supra* note 31, at 212. It is to be noted that this aspect was not discussed by the CJEU in the *Svensson* case, see *supra* note 21, when holding that "clickable" to newspaper articles fell outside the scope of the right to communication to the public, even though the case was about a news monitoring service (Retriever AB) who provided for their customers'

tools and systems in communication networks should be lawful to the extent that they fulfill the basic functions of such tools could be supplemented by a rule similar to the fourth factor under the fair use rule of the U.S. Copyright Act § 107, taking account of the effect of the use upon the potential market for or value of the copyrighted work.[67] To the extent that the use of the information tools causes negative effects in this respect, the use may either fall within the exclusive right of exploitation or be covered by a compensation (liability) rule.[68] Also, other kinds of reuse not usually expressly regulated by "exceptions" or "limitations" under the current system could be addressed in the same way.

The other example to be mentioned here regards the controversy concerning the so-called virtual DVRs (digital video recorders), which have been subject to some case law in various countries during the last years. In short, virtual DVRs enable subscribers to record TV programs without having to use specific recording equipment, typically a "stand-alone" DVR, so that the subscribers can download the programs on their computers or portable devices on demand, thus allowing for "total time shift." In the same way as for links and search engines the controversy regarding virtual DVRs has resulted in highly diverging outcomes in national courts and it is hard to say that the outcomes reflect differences in law between the various countries. Rather, the tendency is that where the lower courts have come to conclusion that the virtual DVRs are infringing, the higher courts have reversed, and the other way around.[69] Although the legal

access to the newspaper articles by way of the hyperlinks, charging the customers for their downloading of the articles.

67 *See, e.g.*, 4 NIMMER & NIMMER, *supra* note 16, § 13.05[A]4, and the discussion about the functional test at § 13.05[B] (the discussion of the fourth factor). It should be underscored that the alternative model perfectly well would allow for putting weight on "transformative uses" like in current U.S. law. But since the approach implies that it should not be necessary to put each and every element of an information system under scrutiny of "fair use," one would consequently not have to assess whether each and every element is "transformative."

68 *See* Matthias Leistner, *The German Federal Supreme Court's Judgment on Google's Image Search – A Topical Example of the "Limitations" of the European Approach to Exceptions and Limitations*, 42 IIC 417, 419-20 (2011).

69 *See, e.g.*, Cartoon Network v. CSC Holdings, 536 F.3d 121 (2d Cir. 2008), *rev'g in part, vacating in part* Twentieth Century Fox Film Corp. v. Cablevision Sys. Corp., 478 F. Supp. 2d 607 (S.D.N.Y. 2007); Bundesgerichtshof [BGH] [Federal Court of Justice] Apr. 22, 2009, RTL v. Shift.tv, I ZR 216/06 (reversing and remanding a decision of the Dresden Appeal Court); Bundesgerichtshof [BGH] [Federal Court of Justice] Apr. 22, 2009. RTL v. Save.tv, ZR 175/07 (reversing and remanding a decision of the Dresden Appeal Court); Nat'l Rugby League Invs. Pty, Ltd. v. Singtel Optus Pty, Ltd., [2012] FCAFC 59 (Apr. 27, 2012) (TV Now case); Chiteki Zaisan Kôtô

framework may differ in the details, the problems discussed by the various courts are to a great extent the same, and a common trait is the great complexity of the legal regulation.

One question, discussed in the U.S. *Cablevision* case is whether the service provider infringes the reproduction right when the stream representing the TV program is transferred to data buffers prior to the subscriber selecting the program for recording. The district court answered the question in the affirmative, while the Second Circuit reversed, holding that the fixation requirement in U.S. law was not met by the buffering of the data.[70] The result is not obvious and has been criticized.[71] A second problem is *who* makes the copy resulting from the subscriber selecting the program to be recorded, the subscriber or the service provider? Here, the Second Circuit concluded, after an extensive discussion, contrasting the doctrine of contributory liability, that it was the subscriber who made the copy by pressing the button on the remote control, reversing the district court's decision also on this point. Similarly the German Supreme Court held in two cases concerning web-based virtual DVRs (*Shift.tv* and *Save.tv*) that the subscriber, and not the service provider, made the copy, also reversing lower courts' decisions.[72] The Australian Federal Court, however, reversed the other way around in the *TV Now* case, holding that the service provider made the copy by providing all infrastructures necessary for the subscriber to record the programs, although leaving open for consideration the provider and the subscriber as joint makers of the copy.[73] A third issue, which may arise in case the service provider is considered the maker of the copy, is whether a rule permitting private copying applies in this situation. The Australian Federal Court answered the question negatively on the background of the Australian private copying rule.[74] Finally, the question may be raised whether the service provider infringes the right to public communication or public performance by providing the TV signals. This question arose both in the U.S. *Cablevision* case and the German *Shift.tv* and *Save.tv* cases and may imply two sub-questions: whether there is a communication/performance, and if so, whether it is public. Curiously enough both the U.S. Second Circuit Court of Appeals and the German Federal Court of Justice held that the performance/com-

Saibansho [Intell. Prop. High Ct.], Nihon Hôsô Kyokai v. Ltd. Nihon Digital Kaden, 41 IIC 860 (2010) (Rokuraku II case) (reversing the Tokyo District Court's prior decision).

70 *See supra* note 69.

71 *See* Jane Ginsburg, *Recent Developments in US Copyright Law – Part II, Caselaw: Exclusive Rights on the Ebb?*, 218 Rev. Int'l du Droit D'auteur [Rida] 167, 181–215 (2008) [hereinafter Ginsburg 2008].

72 *See supra* note 69.

73 *See supra* note 69.

74 Australian Copyright Act 1968 art. 111.

munication was not public since it took place on a "one to one" basis.[75] Also this holding is dubious in both jurisdictions and has been subject to criticism.[76]

All this illustrates that under the current structuring of the economic rights we are faced with a myriad of different and difficult legal questions to decide on, although the base problem is quite simple. Given that the private copying or use (watching) of the programs on part of the user is legal, the question is whether the service provider's facilitation of this use falls under the scope of the exclusive rights. Instead of addressing this rather straightforward question we are bound to discuss problems related to the concept of reproduction, as to who carries out the reproduction, the concepts of performance or communication and even the concept of public, before even addressing the question of exceptions or limitations (or in the U.S. fair use). In this situation there is no wonder that the outcome of the cases will vary considerably. Under the alternative model one would on the legislative level on the one hand have to consider that technical applications like this may be likely to substitute physical recording equipment and that copyright shall promote and not hamper innovation. On the other hand there is a thin line between facilitating private/personal use and granting access to the work, and in the virtual DVR cases there is undoubtedly an element of the latter. A possible solution could be to include in the catalog of examples a provision stating that the right to reasonable exploitation does not include facilitating private/personal use of a work, unless access to the work also is given.[77] Thus problems like virtual DVRs and the like can be solved more directly in the legislation, but still

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[75] *See supra*, note 69; *see also* Am. Broad. Cos., Inc. v. Aereo, Inc., 134 S. Ct. 2498 (2014) (holding (with Scalia, Thomas, and Alito dissenting) that the provision of services that enabled the customers to watch TV on the Internet by use of an antenna dedicated to each individual subscriber, constituted an act of public performance pursuant to section 106(4) of the U.S. Copyright Act and thus copyright infringement), *rev'g and remanding* Wnet v. Aereo, Inc., 712 F.3d 676 (2d Cir. 2013). It is to be noted that even prior to the Supreme Court decision both the district courts had refused to accept the Second Circuit's interpretation of the public performance right. *See* Fox Television Stations, Inc. v. BarryDriller Content Sys., PLC., 915 F. Supp. 2d 1138 (C.D. Cal. 2012); Fox Television Stations, Inc. v. FilmOn X, LLC. (D.D.C. 2013).

[76] For the U.S., see the arguments put forward by Ginsburg (2008), *supra* note 70, at 257-65. The German decisions are on their part hard to reconcile with subsequent case law of the CJEU. *See, e.g.*, Case C-135/10, Società Consortile Fonografici (SCF) v. Marco Del Corso ¶ 87 (Mar. 15, 2012) (not yet reported).

[77] At least if the personal use is compensated for, compare Article 5(2)b) EUCD (*supra* note 21).

on a principled basis, so that courts would not have to address a conglomerate of difficult and partly overlapping definition problems.

B. Access Control and TPM/DRM Protection

A debated issue under current copyright regimes is whether, or to what extent, they actually grant the right holder an access right, or perhaps more precisely, an access control right,[78] i.e., a right to control others' *receiving* of the information that a work represents.[79] An access control right may under the present rights structure implicitly follow from the scope of the reproduction right, since accessing works in a digital context, at least at the present technological stage, implies reproduction of temporary copies.[80] Beyond that, access control follows from private autonomy since the right holder may be in the factual position to limit others' access to works. In the digital context this is likely to mean by imposition of technical protection measures ("TPMs"), linked to so-called Digital Right Management systems ("DRMs" (2003)), but since such measures may be circumvented, the legal protection against circumvention and trafficking of circumvention devices kicks in and gives the right holder, as a result, a sort of indirect access control right in addition to what follows from private autonomy.

In principle, a right to control access to protected works is an important element in copyright. The whole point of exclusive rights to information is to create artificial scarcity since information as such is a non-rival resource. The artificial scarcity can be enforced by controlling the *use* of the work by the third party, but this control is closely linked to controlling to what extent, and under what conditions, the work is accessed. In the analog era a need for a specific access control right was not pressing as scarcity was inherent in copies and performances, so that the reproduction/distribution and performance rights were sufficient to secure access

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78 *See, e.g.*, PROCEEDINGS OF THE ALAI CONGRESS JUNE 13–17, 2001, NEW YORK 281-372 (2002) (The New and Evolving "Access Right"); Thomas Heide, *Copyright in the E.U. and United States: What "Access Right"?*, 23 EIPR 469 (2001); Jane C. Ginsburg, *From Having Copies to Experiencing Works*, 50 J. COPYRIGHT SOC'Y 113 (2003) [hereinafter Ginsburg (2003)].

79 *See* EFRONI, *supra* note 4, at 125 et seq. (concept discussions).

80 *See* Ginsburg (2003), *supra* note 78, at 113, 121-22, who even includes the communication to the public right (WCT art. 8) in this scheme, since it comprises "the making available to the public of their works in such a way that members of the public *may access* these works from a place and at a time individually chosen by them" (emphasis added here). Analytically, however, this making available right can hardly be considered as a "real" access control right, since it only entitles the right holder to act against those who make the work available for third parties' access and not against those accessing the work unlawfully made available.

control along with private autonomy. With digital technology the situation became totally different as the main characteristic of the technology is its lack of providing for scarcity.[81] The response of the legislators (and courts) was partly to expand the concept of reproduction so that it enabled the right holders to control digital access to some extent,[82] and partly to grant legal protection for TPMs. The result is, as indicated, that instead of providing for an explicit access control right, such a right is instead partly implicit and partly based on private autonomy, sanctioned by protection of TPMs. A problem with this regulation is that the access control rules to some extent are detached from copyright itself, even though they are part of the copyright legislation,[83] the symptom of which is that access control protection in copyright legislation extends beyond the limits of "real copyright" and thus has developed into a sort of "paracopyright."[84] The obvious examples are the protection of TPMs both in the U.S. Copyright Act section 1201 and the EU Copyright Directive Article 6.[85]

Under the alternative model, accessing the work would have to be considered as (part of the) "exploitation" of the protected subject matter. Hence, the right holder should as a result also be in a position to impose means to prevent access, typically TPMs — if not the access right would be close to illusory.[86] Imposing TPMs would therefore be a way of exercising access control. Circumvention of TPMs may in this perspective be covered by the exclusive rights of the right holder, and thus be infringing if carried out by third parties, but the demarcation point will still be the right holder's right to a reasonable exploitation of the work. The question becomes the same as for any other kind of conduct — to what extent is it reasonable that the right holder controls access to the work?

As obvious it is that the scope of protection for works must be limited as a result of the tradeoff of interests, equally clear it should be that the right to access control should be limited. In a whole range of access situations it is so clear that accessing the work will belong to the public domain

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[81] *See, e.g.*, Daniel Gervais & Daniel J. Hyndman, *Cloud Control: Copyright, Global Memes and Privacy*, 10 J. TELECOMM. & HIGH TECH. L. (2011) 56, 71-72 (2011).

[82] *See, e.g.*, EFRONI, *supra* note 4, at 203-48 (for a thorough account of the development of the reproduction right as an access right).

[83] *But see* Ginsburg (2003), *supra* note 78, at 131, who contends that an "access right" is an integral part of the present copyright regime. I do not object to this description as such, but the access right is today still detached from the other rights and limitations and hence not comprehensively regulated with the latter.

[84] *See* 4 NIMMER & NIMMER, *supra* note 16, §§ 12A.18[B], 12A-186–12A-187 (in particular note 15 about the use of this expression).

[85] *See infra* notes 87, 88.

[86] *See* EFRONI, *supra* note 4, at 192.

and not be covered by a right to reasonable exploitation, that it would not even be necessary to state it in the catalog of examples. Thus, it should be evident that the exclusive right would not cover situations where the reception or perception of works is unintentional or where the work is deliberately made available by the right holder (or with her consent) or otherwise legally. The question of an access control right, and consequently a need for concrete delineation of the exclusive right in the catalog of examples first and foremost arises in two types of situations: (i) where the right holder *has exercised* access control, factually (typically by the imposition of TPMs) or contractually; (ii) where the work is not made available with the consent of the right holder or otherwise illegally. I discuss the former situation first.

Discussing the exercise of access control it is important to underscore the close connection between access control and use control.[87] If the right holder is in a position to control access to the work, she will be equally entitled to set the conditions for or prevent the further use of it. With the alternative model the question about imposition of and legal protection of access (and use) controls would be internalized in copyright instead of representing a "paracopyright regime" within the framework of copyright law which overrides the ordinary copyright principles. Hence, it would be evidently illogical to permit a certain kind of use in the first place only to prohibit circumvention of technological measures that prevent the permitted use in the second. That would be equal to saying that what is not reasonable, namely imposing restrictions on the use in question, is reasonable after all.

This is to point out the great anomaly in current copyright law. Although there *are* limits to the legal protection of TPMs both in U.S. and EU law, these legislations put the right holder in a position to control and to condition access beyond the express limits of copyright law, e.g., the fact that the legal protection of TPMs in U.S. law, at least according to lower courts, even extends to devices that prevents fair use pursuant to section 107 of the U.S. Copyright Act,[88] and that TPM protection prescribed in the EU Copyright Directive [EUCD] Article 6 potentially covers devices that hinder private copying even if the same directive expressly allows the member states to permit such copying as long as they provide for "fair compensation."[89] There are certainly reasons for this, but from a mere

87 *Compare* EFRONI, *supra* note 4, at 139-44 (making a distinction between the "two prongs" of his definition of access right; access-conducts and communication conducts).

88 *See, e,g.*, Universal Studios, Inc v. Corley, 273 F.3d 429, 443-44 (2d Cir. 2000); *see* 4 NIMMER & NIMMER, *supra* note 16, §§ 12A.06[B][2], 12A-80–12A-84.

89 Even if it is possible to claim that the exception from the exclusive rights for private copying in Article 5(2)(b) EUCD presupposes the protection of

copyright perspective the legal situation may claimed to be incoherent and inconsistent.[90] This incoherency and inconsistency is made possible by the current rights structure which expressly enumerates the economic rights of the copyright holder, without including the right of access control, and in that way "permits" the introduction of a "new right" adjacent to the "exclusive rights" which overrides the latter.[91] Indeed, an obvious dilemma in particular with regard to the *trafficking* of circumvention devices is that it is impossible to design devices that follow the limitations of copyright law.[92] For the sake of consistency and coherency, however, this dilemma should not be handled *within* the scope of copyright law. To be sure, the legal protection of TPMs prescribed for under the international treaties may on the face of it avoid the inconsistency, in that WCT Article 11 limits the protection against circumvention to TPMs used in connection "*with the exercise of [authors'] rights* . . . that restrict acts . . . which are not authorized by the author or *permitted by law*" (emphasis added here).[93] On the

technical measures in that it states that the fair compensation shall take account of the application or non-application of technological measures, the Directive still permits national rules that on the one hand permits private copying (upon compensation) while it on the other hand prohibits circumvention and trafficking of technical protection measures that prevent private copying (Article 6(1)). This follows partly from the fact that possible remedies provided for in order to safeguard exceptions and limitations are only optional on part of the Member States as far as private copying is concerned (Article 6(4)(2)), and partly from the fact that such remedies in any case will not apply to "works or other subject-matter made available to the public on agreed contractual terms in such a way that members of the public may access them from a place and at a time individually chosen by them" (Article 6(4)(4)). In addition, Article 6(4)(2) leaves it to the Member States to decide on the remedies and does in any case not provide for a ban on TPMs as the sole remedy available.

[90] *Compare, e.g.*, Severine Dusollier, *Exceptions and Technological Measures in the European Copyright Directive of 2001 – An Empty Promise*, 34 IIC 62, 69 et seq. (2003); Christoph Geiger, *The Answer to the Machine Should Not Be the Machine: Safeguarding the Private Copy Exception in the Digital Environment*, 30 EIPR 121, 124-26 (2008); Petroula Vantsioli, *A Legislation in Bits and Pieces; the Overlapping Anti-Circumvention Provisions of the Information Society Directive, the Software Directive and the Conditional Access Directive and Their Implementation in the UK*, 34 EIPR 587, 591-97 (2012). Regarding the U.S. situation, see, e.g., Neil W. Netanel, *First Amendment Constraints on Copyright After Golan v. Holder*, 60 UCLA L. REV. 1082, 1113-20 (2013).

[91] *Compare* 4 NIMMER & NIMMER, *supra* note 16, § 12-A-83.

[92] *See, e.g.*, 2 RICKETSON & GINSBURG, *supra* note 6, at 977-78.

[93] Meaning that "no obligation exists under Article 11 of the Treaty to provide 'adequate legal protection and effective remedies' against acts of circumvention which concerns acts permitted by . . . exceptions or limitations . . . allowed under the Treaty," see MIHÁLY FISCOR, THE LAW OF COPYRIGHT

other hand it is claimed that the obligation to provide for "adequate legal protection" implies to a certain extent the prohibition of trafficking of devices that (also) hinder lawful use of works.[94] And in any case the structural problems pointed out here, which leave room for the inconsistency in current copyright law, count for the treaties as well.

A consistent access control regime under the alternative model would imply that the right holder may control and condition access to the extent it amounts to a reasonable exploitation of the work. At the same time one would have to decide to what extent the right holder by way of contract may influence what is reasonable. Impositions of TPMs would have to be prohibited to the extent that they went beyond what is reasonable, and the circumvention of TPMs would be permitted to the extent that it secures such use.[95] On the other hand lawmakers would have to decide whether and to what extent trafficking of circumvention devices should be prohibited *outside* the scope of copyright law.

The second problem that should be expressly regulated in the catalog of examples is whether or to what extent the right holder should be in a position to prohibit access to illegal material. Under current copyright regimes the question whether "browsing" of illegal material is permitted is quite unclear and dependent on the scope of the right of reproduction.[96] Under the alternative model the problem would have to be addressed directly in the catalog of examples. I will not go into a detailed discussion about the reasonableness of controlling the mere accessing of illegal material, but problems with enforcing a prohibition may — in addition to the right of freedom of expression — speak in favor of at least a restricted access control right in this respect.

Three major points to conclude. First, the discussion has shown that the alternative model would be predicated on a coherent solution as far as copyright and protection of TPMs under copyright law is concerned, contrary to what is the situation in the U.S. and Europe today. Second, this solution would imply that the four stage structure resulting from the current right vs limitations scheme with additional protection for TPMs would be replaced by a one stage structure that includes the regulation of access controls. Third, since under the alternative model the question of access

AND THE INTERNET – THE 1996 WIPO TREATIES, THEIR INTERPRETATION AND IMPLEMENTATION 548 (2002).

94 *See* RICKETSON & GINSBURG, *supra* note 6, at 976-78 with reference inter alia to the legislative history, and even FISCOR, *supra* note 93, at 549-50.

95 To be sure, in particular as regards trafficking of circumvention devices, there has to be a tradeoff of interests, but the tradeoff should be taken into account when deciding the limits of the exclusive rights to reasonable exploitation. The base line would be that the right holder is not protected beyond what is reasonable.

96 *See supra* note 19.

control is addressed directly it would not be necessary to seek solutions to obvious problems like the lawfulness of personal browsing through complicated rules about temporary copying. It is presumed that there is much to save on information costs in this respect.

C. *Abandonment of the Distinction Between Primary and Secondary Liability?*

Another potential effect of the effort to simplify the copyright structure in the manner suggested here could be that the distinction between primary and secondary infringements becomes obsolete. That is, however, dependent on the premise introduced in connection with the presentation of the alternative model, namely that "the term 'exploitation' is understood in its broadest sense and covers all kinds of conduct that one way or another takes advantage of the work and thus potentially may conflict with the interests of the right holder."[97] With this approach even behavior that today is considered as contributory infringement, or is covered by any other doctrine of secondary liability, would be considered exploitation of the work, letting the lawfulness of the behavior depend on whether it is considered reasonable that the right holder shall be entitled to object to it. Following the approach of the alternative model, the base question would not be whether somebody contributes, induces or finances other people's or undertakings' infringement, but whether it is reasonable that the right holder shall control the particular behavior. Under this model it would be essential to delineate the exclusive right cautiously and the limits to the current doctrines of secondary liability would be helpful in that respect. Also the "safe harbor rules" for Internet intermediaries would have to fit into this picture and an advantage of the approach would be to bridge doctrines of secondary liability with the safe harbor rules which are partly overlapping and thus contribute to the severe complexity of the current system.

One possible complication of this approach is that principles of secondary liability are based on tort law or other kinds of remedy law which depend also on subjective criteria, like fault.[98] If the distinction between

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[97] *See supra* section II.A.1.

[98] *See, e.g.*, Alfred C. Yen, *Third Party Copyright After Grokster*, 91 MINN. L. REV. 184 (2006) for an account of U.S. law. For a discussion of the legal grounds for third party liability in German and European law, see Matthias Leistner, *Grundlagen und Perspektiven der Haftung für Urheberverletzungen im Internet*, 56 ZEITSCHRIFT FÜR URHEBER- UND MEDIENRECHT 722 (2012); *see also* Leistner, Structural Aspects of Secondary (Provider) Liability in Europe (paper presented at the 2013 ALAI conference at Cartagena, Colombia), *available at* http://alaicartagena2013.org/images/papers/Leistner_Liability_in_Europe.pdf.

primary and secondary infringement were to be abandoned, two alternatives could be viable — either to let the delineation of the exclusive right depend on objective criteria and supplement with tort/remedy principles or to integrate the subjective criteria in the exclusive right. When discussing the impact of the alternative model in the following, the solutions will be based on the latter option. On the other hand, a service provider's more specific obligations to act in order to avoid liability, for example notice and takedown procedures or obligation to block specific websites in certain situations, will be considered as part of the enforcement system rather than the rights themselves and will not be integrated in the exclusive right under the alternative model.

With the alternative model, establishing channels of distribution and dissemination of copyright protected content *might* be covered by the exclusive right. The major objection against the current regulation of third party liability is first and foremost that the system is extremely complicated and impenetrable. The content of the regulation may also be subject to discussion in the details, but with the basic premise that there has to be a tradeoff between incentives to create works and incentives to establish new distribution platforms, the discussion here is more about a change in the regulation structure than a change in the content of the regulation. The tradeoff may nevertheless suggest that only in special cases will establishing dissemination channels fall under the exclusive right to a *reasonable* exploitation and cause liability. On the other hand, the alternative model would target the creation of platforms primarily aimed at distribution of unlawful content in a more direct way than under the current copyright structure. In such cases it is the establishment of the platform that constitutes the real threat to right holders' interests, while the individual users of it are small pieces of the game. Both from a realistic and not least a symbolic point of view, it looks rather awkward to consider the latter as primary infringers and the former as a secondary infringer. The alternative model would do away with this anomaly.

As an example of the current structure and the alternative model compared, consider situations where the service providers' services are used for sharing of material on the Internet, e.g. "digital lockers" where users' files are uploaded to the service providers' servers and the functions of the "lockers" enable the users to make the material available to others,[99] or UGC platforms where user generated content is uploaded to a social media network, YouTube and Facebook being the most prominent examples. Under the current rights structure, the service provider's liability for the content depends on a whole range of different issues. A first

[99] *Cf., e.g.*, Bundesgerichtshof [BGH] [Federal Court of Justice], July 12, 2012, ZR 18/11 (Rapid Share case).

question would be whether the service provider can be considered a direct infringer, i.e., whether the provider herself must be considered as carrying out acts of reproduction or communication to the public (alternatively public distribution or public performance). This also implies drawing a distinction between primary and secondary liability since lack of direct infringement raises the question of secondary infringement. In assessing whether there are grounds for secondary infringement, one will first have to ask whether the user of the platform has infringed copyright, implying the assessment of reproduction or communication to the public, and if affirmative considering the additional criteria for secondary infringement, which may vary dependent on domestic law. In addition one will, both in Europe and in the U.S., have to consider whether the safe harbor rules for online service providers are applicable, that is both the objective criteria defining service providers and the role they carry out,[100] and subjective criteria related to knowledge about infringing activity, which are partly overlapping with the subjective criteria under rules of secondary liability. For the case that the service provider has acquired knowledge about infringing activity, the safe harbor rules still offers protection provided that certain obligations, like, e,g., notice and takedown, are met.[101] Much of the controversy in case law regards such obligations.[102]

Again, the alternative model would provide for a simpler and more transparent structure, even if the contents of the regulation would not have to be much different. As already pointed out, the model implies the abandonment of secondary liability, since facilitating others' use of the work also might qualify as "exploitation" in the word's broadest sense. At a legislative level it could for instance be possible to introduce a provision in the catalog of examples stating that facilitating dissemination of the work (as opposed to personal use) is not covered by the exclusive right to reasonable exploitation unless the facilitator plays an active role in the dissemination or has knowledge about infringing activity or facts or circumstances from which the infringing activity is apparent.[103] To be sure also this regulation would cause interpretation problems — all legal regulations do — and there might be need for more specification in the details,

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[100] *See* 17 U.S.C. § 512 (2012); EU, Directive 31/2000/EC on Certain Legal Aspects of Information Society Services, in Particular Electronic Commerce, in the Internal Market art. 2, 12-15 (E-Commerce Directive).

[101] *See* 17 U.S.C. § 512(c)(1) (2012); E-Commerce Directive art. 14(1).

[102] *See, e.g.*, Viacom Int'l, Inc. v. YouTube, Inc., 676 F.3d 19 (2d Cir. 2012); Viacom Int'l, Inc. v. YouTube, Inc., No. 07 Civ. 2103 (LLS), 2013 WL 1689071 (S.D.N.Y. Apr. 18, 2013) (appealed); UMG Recordings, Inc. v. Shelter Capital Partners, LLC, 667 F.3d 1022 (9th Cir. 2011); UMG Recordings v. Shelter Capital Partners, No. 09-55902, 2013 WL 1092793 (9th Cir. Mar. 14, 2013), *appeal withdrawn*, No. 13-1720 (2d Cir. Mar. 19, 2014).

[103] *Compare* 17 U.S.C. § 512(c)(1)(i); E-Commerce Directive art. 14(1)(a).

but the main point is again that the regulation would be more transparent and the issues of dispute clearer than under the current regime. With the suggested approach under the alternative model it would be possible to address the core issues directly without having to distinguish between primary and secondary infringements and drag oneself through a myriad of partly overlapping doctrines. The point of departure would be that facilitating dissemination of works is not in itself infringing and that liability will depend on either the facilitator's activity[104] or knowledge about others' infringements.[105] Issues related to the obligation to act upon such knowledge in order to avoid liability would, as pointed out above, be part of the sanctions/enforcement rules and could be regulated in a similar manner as today. Detailed discussions about the contents of such rules fall however outside the scope of this work.

As has been pointed out, the foregoing is based on the premise that the term exploitation is interpreted in a broadest possible sense, carrying the potential to include even acts that under the current structure are regulated by (domestic) rules of secondary liability. Thus, the alternative model would imply a one-stage assessment only. It is, however, possible to take the narrower approach based on the current distinction between direct and indirect liability, limiting the concept of reasonable exploitation or use to acts of conduct that more directly involves the use of the work, supplementing it with principles of secondary liability. In that case the alternative model would not imply a one stage assessment only, but it will still represent a considerable simplification compared with the current structure. It is believed that maintaining the distinction between direct (primary) and indirect (secondary) liability would require some elaboration in the legislation on the delineation of the concept of use. A more consistent and coherent regulation of the relation between secondary liability and "safe harbors" would in any case be preferable. It is beyond the scope of this work to elaborate more even on this option, the point in this respect being that the alternative model may or may not imply the abandonment of rules on secondary liability.

IV. CONCLUSION

Current copyright law is extremely complex and impenetrable. The structuring of the economic rights represents an obvious problem in this respect, in that it is based on a several-stage assessment and on concepts that are not compatible with technological development. In this article, I

104 The liability of which may be delineated on other grounds, eg. for informational purposes.

105 Problems that under the current regime are solved by way of various doctrines like contributory or vicarious liability; inducement along with safe harbor provisions may be subsumed under this point of departure.

have presented an idea of how the economic rights may be restructured in order to meet the challenges of the twenty-first century. The alternative model presented here is at odds with international copyright law in a structural sense, since the latter is predicated on the traditional structure. On the other hand, as far as contents are concerned, the alternative model is meant to comply with the basics of the three step test as the concept of "reasonable exploitation" is intended to reflect the conventional requirements that third party uses must not conflict with a normal exploitation of the work and do not unreasonably prejudice the legitimate interests of the author. Thus it should in principle be possible to implement the alternative model within the obligations under the international treaties. Still, since this model implies the abandonment of the traditional exploitation rights concepts as points of departure for determining the scope of the economic rights, the whole point of it is to introduce a different kind of thinking than what has dominated the drafting of the treaties. The further implications of the alternative model may certainly be discussed in more detail. As for now the main message is that there is a need for a shift in the habit of thought. The alternative model presented here offers a provocation in this respect.

[UN]HAPPY TOGETHER: WHY THE SUPREMACY CLAUSE PREEMPTS STATE LAW DIGITAL PUBLIC PERFORMANCE RIGHTS IN RADIO-LIKE STREAMING OF PRE-1972 SOUND RECORDINGS

by JULIE L. ROSS*

INTRODUCTION

Lovers of the music of Frank Sinatra, Elvis Presley, Etta James, and hundreds of other recording artists whose records were made before February 15, 1972, could soon have a hard time hearing those great artists on any satellite or Internet radio service. Recently, two federal district court opinions concluded that state laws were violated when satellite radio broadcaster Sirius XM Radio included pre-1972 sound recordings in its broadcasts without the owners' permission.[1] Faced with potential liability under a patchwork of ambiguous and differing state common law claims, those engaged in the business of digitally streaming music to listeners over the Internet or via satellite radio may very well opt to remove pre-1972 recordings from their playlists,[2] which would benefit neither the public nor the owners of these recordings.

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1 *See* Flo & Eddie, Inc. v. Sirius XM Radio, Inc., 112 U.S.P.Q.2d 1307 (C.D. Cal. 2014); Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13 Civ. 5784, 2014 WL 7172270 (S.D.N.Y. Nov. 14, 2014), *leave to appeal granted*, No. 15-1164 (2d Cir. Apr. 15, 2015). Although the reasoning of the courts in both decisions could potentially apply to terrestrial radio broadcasters as well as to those who digitally transmit sound recordings to their listeners, this article focuses solely on the digital performance right in sound recordings — and to exploitation of those rights through radio-like digital streaming — and not on any other potential performance rights that might be found to be protected under state law.

2 In Pandora's 2014 SEC filings, the company noted:

> [P]rotection of sound recordings created prior to February 15, 1972 ("pre-1972 sound recordings") remains governed by a patchwork of state statutory and common laws. Copyright owners of pre-1972 sound recordings have commenced litigation against us, alleging violations of New York and California state statutory and common laws with respect to the unau-

When Congress first provided federal copyright protections to sound recordings in 1971, it limited the exclusive rights of sound recording owners to reproduction, distribution, and adaptation rights, and granted those rights prospectively only.[3] No federal public performance right in sound recordings — e.g., the right to broadcast the recording to the public or to play it in a public place such as a bar, restaurant, or stadium — existed until 1995, when sound recordings were granted a limited digital public performance right that applies in the context of Internet and satellite streaming of music.[4]

All other public performances of sound recordings remain unprotected by the federal Copyright Act and have never been a source of revenue for owners of those sound recordings or the artists who created them. Thus, for example, although the author of a musical composition is compensated when a recording of the composition is played on a terrestrial radio station or at a sporting event, neither the copyright owners of the sound recording itself nor the artists who performed the musical work are

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thorized reproduction and public performance of pre-1972 sound recordings, seeking, among other things, restitution, disgorgement of profits, and punitive damages as well as injunctive relief prohibiting further violation of those copyright owners' alleged exclusive rights. Litigation has been brought previously against Sirius XM Radio Inc. ("Sirius") for similar claims, and a federal district court and a state court in California recently ruled against Sirius for violating exclusive public performance rights in California. That same plaintiff has initiated litigation against us, alleging similar violations of exclusive rights under California law. If we are found liable for the violation of the exclusive rights of any pre-1972 sound recording copyright owners, then we could be subject to liability, the amount of which could be significant. If we are required to obtain licenses from individual sound recording copyright owners for the reproduction and public performance of pre-1972 sound recordings, then the time, effort and cost of securing such licenses directly from all owners of sound recording used on our service could be significant and could harm our business and operating results. If we are required to obtain licenses for pre-1972 sound recordings to avoid liability and are unable to secure such licenses, then we may have to remove pre-1972 sound recordings from our service, which could harm our ability to attract and retain users.

Pandora Media Group, Inc., SEC Form 10Q at 39-40 (Sept. 30, 2014), *available at* http://services.corporate-ir.net/SEC.Enhanced/SecCapsule.aspx?c=227956&fid=9722252.

[3] An Act to amend title 17 of the United States Code to provide for the creation of a limited copyright in sound recordings for the purpose of protecting against unauthorized duplication and piracy of sound recording, and for other purposes, Pub. L. No. 92-140, § 1, 85 Stat. 391 (1971).

[4] Digital Performance Right in Sound Recordings Act of 1995, Pub. L. No. 104-39, § 2, 109 Stat. 336, 336 (codified at 17 U.S.C. § 106(6)).

required to be compensated under United States copyright law. This has been true since the dawn of the recording industry over a century ago.[5]

Sound recordings "fixed" prior to February 15, 1972, the effective date of the Sound Recording Act of 1971 ("1971 SRA"),[6] receive no federal copyright protection, so owners of pre-1972 sound recordings must instead look to state law for protection against unauthorized copying. Prior to enactment of the 1971 SRA, without any federal protection for sound recordings, the recording industry had been able to protect its interests, and thus to grow and flourish, by relying on state statutes and common law doctrines such as misappropriation and unfair competition to prevent others from copying and selling the records they produced.[7] More than four decades ago, in 1973, the United States Supreme Court ruled that a California state criminal law protecting against unauthorized duplication of pre-1972 sound recordings was not preempted under the Supremacy Clause of the Constitution.[8] In contrast to the decades-long protections offered by state law against unauthorized copying and distribution of sound recordings prior to 1971, however, no state statute and only one state court decision recognized any right by owners of sound recordings to protect their works against unauthorized public performances until very recently.[9]

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[5] The United States is one of only a few countries that has not recognized a full performance right in sound recordings. *See generally* U.S. COPYRIGHT OFFICE, REPORT ON COPYRIGHT AND THE MUSIC MARKETPLACE 45 & n.197 (Feb. 2015) [hereinafter COPYRIGHT AND THE MUSIC MARKETPLACE], *available at* http://copyright.gov/docs/musiclicensingstudy/copyright-and-the-music-marketplace.pdf (noting that "[o]nly a handful of countries — including Iran and North Korea — lack such a right, in addition to the United States").

[6] An Act to amend title 17 of the United States Code to provide for the creation of a limited copyright in sound recordings for the purpose of protecting against unauthorized duplication and piracy of sound recording, and for other purposes, Pub. L. No. 92-140, § 3, 85 Stat. 391 (1971). As the Copyright Office has noted, "Why Congress did not incorporate pre-1972 recordings into the federal statute in 1976 is an interesting question, but neither the stakeholders nor the Copyright Office have an answer to it." U.S. COPYRIGHT OFFICE, REPORT ON FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS 121 (Dec. 2011) [hereinafter FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 RECORDINGS], *available at* http://copyright.gov/docs/sound/pre-72-report.pdf.

[7] *See generally* COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS, *supra* note 6, at 20-49.

[8] Goldstein v. California, 412 U.S. 546 (1973).

[9] That is, until recent litigation raised the issue in connection with digital streaming of pre-1972 sound recordings. *See* Section I(B), *infra*.

Although Congress opted to exclude pre-1972 sound recordings from federal copyright protection when it passed the 1971 SRA,[10] it recognized that owners of pre-1972 recordings relied on the existing patchwork of state laws to protect against record piracy.[11] Thus, when it enacted § 301, the preemption clause of the 1976 Copyright Act,[12] Congress expressly exempted state laws governing pre-1972 sound recordings from preemption until February 15, 2067, when any remaining state law protection for pre-1972 sound recordings will finally be preempted.[13] As a result, even though most of these state laws are more likely than not preempted with respect to any sound recordings fixed after February 15, 1972,[14] they are still the only source of protection for owners of pre-1972 sound recordings against those who seek to make use of those works.

However, the fact that § 301's express preemption clause does not apply to pre-1972 sound recordings until 2067 does not end the inquiry about whether a particular state law that purports to grant copyright-like rights to owners of pre-1972 sound recordings is preempted by federal law. In addition to any express preemption clause that Congress might incorporate into a statutory framework, the Supremacy Clause of the U.S. Constitution[15] requires that state law give way to federal law under specific circumstances, including when state laws conflict with federal law.[16] This

10 Pub. L. No. 92-140, § 3, 85 Stat. 391 (1971).

11 *See* FEDERAL COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS, *supra* note 6, at 10-17, 47-49.

12 17 U.S.C. § 301 (2012).

13 *Id.* § 301(c).

14 I say "more likely than not" here because preemption under § 301 is considered on a case-by-case basis, looking at the nature of the state law at issue and whether it addresses a work protected by federal copyright law and a use of that work that is equivalent to one of the exclusive rights granted to copyright owners under federal law. *See generally* 1 MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 1.01 (2015); Joseph P. Bauer, *Addressing the Incoherency of the Preemption Provision of the Copyright Act of 1976*, 10 VAND. J. ENT. & TECH. L. 1, 3, 16-106 (2007) (summing up the body of case law analyzing preemption of state laws under § 301 and stating "in the quarter-century-plus since the Act became effective in 1978, there have been literally hundreds of federal and state court decisions in which courts have been required to apply and interpret this statutory provision," *id.* at 3). The application of § 301's statutory preemption provision is outside the scope of this article, as it is acknowledged that § 301 provides no defense for users of pre-1972 sound recordings against claims brought under state law.

15 U.S. CONST. art. VI, cl. 2.

16 *See, e.g.*, Arizona v. United States, 132 S. Ct. 2492, 2501 (2012). The other circumstances in which Supremacy Clause preemption applies are those in which compliance with both federal and state law is impossible or where Congress has demonstrated an intent to displace state law by creating so

"conflict preemption" arises under the Supremacy Clause when a "challenged state law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"[17]

State laws purporting to grant public performance rights to pre-1972 sound recordings raise a thorny federalism issue — involving an express statutory preemption provision, a statutory saving clause, and the subsequent creation of a comprehensive federal licensing system — that must be addressed by any court considering whether to enforce those state laws. This article argues that where recognition and enforcement of state law property rights in public performances would interfere with the rights and obligations created by the Digital Performance Right in Sound Recordings Act of 1995 ("1995 DPRA"), those state law rights are necessarily preempted by the Supremacy Clause and are not saved by the saving clause. Enforcement of such state laws would create a serious obstacle to "the accomplishment and execution of the full purposes and objectives of Congress" in enacting the 1995 DPRA.

Part I provides an overview of federal protection for sound recordings. In addition, the (very) brief history of performance rights in sound recordings is discussed, noting the absence of any express state law recognition of a performance right in sound recordings and only minimal recognition of any rights analogous to performance rights during all of the twentieth century — in fact, some states enacted statutes expressly disclaiming the existence of such a right and others expressly exempted radio broadcasts from any criminal copyright infringement liability. Only recently, in the context of disputes over digital performances of pre-1972 sound recordings, has the issue of state protection of performance rights arisen in earnest, and the courts that have issued initial rulings about the validity of those state law claims did not consider Supremacy Clause preemption.

Part II explains the relevant legislative history and provisions of the 1995 DPRA. The 1995 DPRA established a complex and comprehensive compulsory licensing system that was in part designed to streamline the ability of digital radio services to have access to the body of available sound recordings upon payment of a statutory license fee, without the need for individual license agreements for each work. In creating the digital public performance right in sound recordings, Congress recognized that it was creating a right that had previously been denied to owners of sound recordings and thus defined that right narrowly. It also emphasized the

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pervasive a framework of regulation that leaves no room for state action, *id.*, neither of which is argued to apply here.

17 *Id.* (quoting Hines v. Davidowitz, 312 U.S. 52, 67 (1941)).

importance of the careful balancing of interests and the need for an easily administrable system of licensing.

Part III introduces Supremacy Clause preemption analysis and summarizes the Supreme Court's opinion in *Goldstein v. California*.[18] In *Goldstein*, the Court acknowledged the applicability of Supremacy Clause preemption in the context of state laws that might conflict with the federal Copyright Act but found that the particular California statute at issue, which criminalized the physical copying and distribution of sound recordings without the owner's consent, was not preempted. The Supreme Court's reasoning in *Goldstein* and subsequent Supremacy Clause jurisprudence supports a different outcome in the context of at least some digital public performances of sound recordings. The Supremacy Clause preempts state laws purporting to require licenses for digital public performances of pre-1972 sound recordings by Internet or satellite radio stations beyond what is expressly provided for in the comprehensive and complex compulsory licensing system established by the 1995 DPRA because those laws serve as obstacles to the purposes of the federal statutory licensing system.

Part IV acknowledges that preemption of state law protection for digital public performances of pre-1972 sound recordings raises equitable concerns. Preemption leaves some of this nation's most treasured musical artists uncompensated for use of their works by Internet and satellite streaming services while the authors of more current works are compensated. However, it was Congress that created the framework for this inequity by leaving pre-1972 sound recordings unprotected by federal copyright law. Given the delicate balancing that has gone into Congress' recognition of a digital performance right in sound recordings and creation of a compulsory statutory licensing system, any remedy for the inequity to owners and authors of pre-1972 sound recordings must be left to Congress. Allowing individual courts in individual states to craft a patchwork of inconsistent remedies would disrupt the balance struck by Congress and interfere with the functioning of the compulsory license system for digital performances of sound recordings. This is a result that the Supremacy Clause does not permit.

[18] 412 U.S. 546 (1973).

I. DON'T PLAY THAT SONG:[19] *SOME RELEVANT FEDERAL COPYRIGHT BACKGROUND AND THE BRIEF HISTORY OF EFFORTS TO PROTECT PERFORMANCE RIGHTS IN SOUND RECORDINGS UNDER STATE LAW*

To lay the foundation for the federal preemption issues raised by the application of state laws to Internet and satellite streaming of sound recordings, this section provides some background on federal copyright protections relating to sound recordings, discusses the history of state law protections for performances of sound recordings, and ends with a summary of the 2014 judicial decisions that have interpreted both California and New York state law to encompass public performance rights in sound recordings.

A. A-B-C:[20] *Legal Protection (or Lack Thereof) of Sound Recordings Under Federal Law and the Genesis of the § 301 Express Preemption and Saving Clauses*

Although sound recordings have existed since the invention of the phonograph in 1877 by Thomas Edison,[21] United States copyright law was slow to recognize them as creative works deserving protection separate from the copyright granted in the underlying musical composition. Musical compositions (fixed in the form of musical notation) first received federal copyright protection in 1831,[22] but sound recordings did not receive federal copyright protection until 140 years later, with the enactment of the 1971 SRA.[23] States were thus free for many decades to legislate regarding or to apply common law protections to recorded works without coming into conflict with federal copyright law.[24] Those protections, how-

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19 Composed by Ahmet Ertegun and Betty Nelson, first recorded by Ben E. King in 1962 and then by Aretha Franklin in 1970.

20 Composed by The Corporation (Berry Gordy, Freddie Perren, Alphonzo Mizell, and Deke Richards), recorded and released by The Jackson 5 in 1970.

21 RUSSELL SANJEK, PENNIES FROM HEAVEN: THE AMERICAN POPULAR MUSIC BUSINESS IN THE TWENTIETH CENTURY, at vi-vii (1996).

22 An Act to Amend the Several Acts Respecting Copyrights, ch. 16, §§ 1-3, 4 Stat. 436 (1831), *reprinted in* UNITED STATES COPYRIGHT OFFICE, COPYRIGHT ENACTMENTS: LAWS PASSED IN THE UNITED STATES SINCE 1783 RELATING TO COPYRIGHT, BULLETIN No. 3 (rev. ed. 1973), *available at* http://copyright.gov/history/Copyright_Enactments_1783–1973.pdf.

23 An Act to amend title 17 of the United States Code to provide for the creation of a limited copyright in sound recordings for the purpose of protecting against unauthorized duplication and piracy of sound recordings, and for other purposes, Pub. L. No. 92-140, § 1, 85 Stat. 391 (1971).

24 *See* Gary Pulsinelli, *Happy Together? The Uneasy Coexistence of Federal and State Protections for Sound Recordings*, 82 TENN. L. REV. 167, 172 (2014)

ever, were largely focused on preventing piracy — the unauthorized reproduction of the recordings and sale of those recordings to the public.[25]

Federal copyright in any given work provides a specified "bundle" of exclusive rights in that work. Although every copyrighted work is protected from unauthorized reproduction, distribution, and preparation of derivative works, only some copyrighted works are protected against unauthorized public performances of the work.[26] Federal copyright law provided no protection for sound recordings until February 15, 1972, the effective date of the 1971 SRA, but the 1971 SRA limited the exclusive rights in sound recordings solely to reproduction, distribution, and adaptation (i.e., the creation of "derivative works" based on the sound recording).[27] Owners of sound recordings that were fixed after February 15, 1972 were not granted a federal "public performance" right by the 1971 SRA, despite the fact that such a right was granted for virtually all other categories of works protected by federal copyright.[28] Thus, radio stations were free to broadcast and public venues such as bars and stadiums were free to play recorded music without seeking permission from or compensating sound recording owners and performers. In fact, they have done so for decades, and the broadcast industry in particular built its business model around the uncompensated public performances of sound recordings, with sound recording owners presumably benefitting from the promotion of their recordings on the public airwaves.[29]

(discussing the "dual state/federal protection scheme" adopted under the 1909 Copyright Act).

25 *See generally* BARBARA RINGER, THE UNAUTHORIZED DUPLICATION OF SOUND RECORDINGS 2-20 (Comm. Print 1957) (General Revision of the Copyright Law, Study No. 26, Senate Subcomm. on the Judiciary), *available at* http://www.copyright.gov/history/studies/study26.pdf (providing detailed history of efforts to provide federal copyright protection for sound recordings and summarizing state law protections against duplication and distribution of sound recordings, stating at 11 "[t]hese laws consist almost entirely of judge-made common law . . . [,] differ widely from State to State, and are often conflicting and irreconcilable").

26 17 U.S.C. § 106 (2012).

27 An Act to amend title 17 of the United States Code to provide for the creation of a limited copyright in sound recordings for the purpose of protecting against unauthorized duplication and piracy of sound recording, and for other purposes, Pub. L. No. 92-140, § 1, 85 Stat. 391 (1971).

28 *Id.* § (a).

29 *See generally* COPYRIGHT AND THE MUSIC MARKETPLACE, *supra* note 5, at 44 ("In the traditional view of the market, broadcasters and labels representing copyright owners enjoy a mutually beneficial relationship whereby terrestrial radio stations exploit sound recordings to attract the listener pools that generate advertising dollars, and, in return, sound recording owners receive exposure that promotes record and other sales.").

The Register of Copyright had advocated for a performance right in sound recordings,[30] but consideration of the competing interests was deferred in contemplation of the comprehensive copyright revision process that led to the Copyright Act of 1976,[31] which again deferred consideration of the issue by requesting a Copyright Office report on granting a performance right in sound recordings. That report, issued in 1978 (the "Ringer Report"), recommended that a full performance right be granted to sound recordings,[32] a position that the Copyright Office has advocated ever since and that Congress has consistently refused to adopt.[33]

When the federal Copyright Act was revised in 1976, Congress expressed a strong interest in national uniformity in copyright laws and incorporated an express preemption provision into the Act.[34] Because the 1971 SRA applied only prospectively, sound recordings that had been fixed (i.e., recorded) prior to the effective date of the Act have never been afforded federal copyright protection. Section 301's preemption language thus also included a saving clause, recognizing that pre-1972 sound recordings would be without any legal protection at all if they remained unpro-

30 U.S. COPYRIGHT OFFICE, PERFORMANCE RIGHTS IN SOUND RECORDINGS 3-7 (Comm. Print 1978) [hereinafter RINGER REPORT].

31 Copyright Act of 1976, Pub. L. No. 94-553, 90 Stat. 2541 (provision on limitations on the exclusive right codified at 17 U.S.C. § 114(d)).

32 RINGER REPORT, *supra* note 30, at 3-7.

33 *See* S. REP. NO. 104-128, at 13 (1995) (recognizing that the Copyright Office had advocated for a comprehensive performance right in sound recordings but instead adopting a narrowly-tailored digital performance right to balance the competing interests at stake).

34 17 U.S.C. § 301(a) (2012); *see* S. REP. NO. 94-473, at 115 (1975) ("The preemption of rights under State law is complete with respect to any work coming within the scope of the bill, even though the scope of exclusive rights given the work under the bill is narrower than the scope of common law rights in the work might have been."); H. REP. NO. 94-1476, at 131 (1975) ("regardless of when the work was created and whether it is published or unpublished, disseminated or undisseminated, in the public domain or copyrighted under the Federal statute, the States cannot offer it protection equivalent to copyright"). As stated in the House Report, § 301 was "one of the bedrock provisions of the bill" that would:

> accomplish a fundamental and significant change in the present law. Instead of a dual system of "common law copyright" for unpublished works and statutory copyright for published works, which has been the system in effect in the United States since the first copyright statute in 1790, the bill adopts a single system of Federal statutory protection from creation. . . . By substituting a single Federal system for the present anachronistic, uncertain, impractical, and highly complicated dual system, the bill would greatly improve the operation of the copyright law and would be much more effective in carrying out the basic constitutional aims of uniformity and the promotion of writing and scholarship.

H. REP. NO. 94-1476, at 129.

tected by federal law and if all state laws providing copyright-like protection were preempted.[35] The § 301(c) saving clause states in pertinent part:

> (c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2067.

The legislative history of the saving clause shows that it was intended to allow continued protection for pre-1972 sound recordings against record piracy — that is, the unauthorized reproduction and sale of records. The House Report explains the purpose of what became § 301(c) as follows:

> A unique and difficult problem is presented with respect to the status of sound recordings fixed before February [15], 1972, the effective date of the amendment bringing recordings fixed after that date under Federal copyright protection. In its testimony during the 1975 hearings, the Department of Justice pointed out that, under § 301 [the express preemption of state law claims equivalent to copyright with no savings clause] as written:
>
> > This language could be read as abrogating the anti-piracy laws now existing in 29 states relating to pre-February 15, 1972, sound recordings on the grounds that these statutes proscribe activities violating rights equivalent to . . . the exclusive rights within the general scope of copyright. . . . Certainly such a result cannot have been intended for it would likely effect the immediate resurgence of piracy of pre-February 15, 1972 recordings. . . .
>
> The result of the Senate amendment would be to leave pre-1972 recordings entitled to perpetual protection under State law, while post-1972 recordings would eventually fall into the public domain as provided in the bill.
>
> The Committee recognizes that, under recent court decisions, pre-1972 recordings are protected by State statute or common law, and that should not all be thrown into the public domain instantly upon the coming into effect of the new law. However, it cannot agree that they should in effect be accorded perpetual protection, as under the Senate amendment, and it

[35] 17 U.S.C. § 301(c) (2012); *see* H. REP. NO. 94-1476, at 133 (1975) (noting the concerns expressed by the Department of Justice that, without a saving clause, the preemption language of § 301, "could be read as abrogating the anti-piracy laws now existing in 29 states relating to pre-February 15, 1972, sound recordings" and stating that "[c]ertainly such a result cannot have been intended for it would likely effect the immediate resurgence of piracy of pre-February 15, 1972 sound recordings"); S. REP. NO. 94-473, at 116 (1975) (stating that the saving clause in what became § 301(c) "was proposed by the Department of Justice to clarify the intent of this title" and that "Congress and many states have determined that record pirates unfairly appropriate the property, efforts, and capital of the legitimate music industry").

> has therefore revised [§ 301(c)] to establish a future date for the pre-emption to take effect.[36]

As the Senate Report stated:

> The addition of [§ 301(c)] to the bill was proposed by the Department of Justice to clarify the intent of this title. At the present time, 32 states prohibit record piracy by statute, and four more do so under common law. The Congress and many states have determined that record pirates unfairly appropriate the property, efforts and capital of the legitimate music industry. There is no justification for exposing pre-1972 recordings to expropriation by record pirates.[37]

Thus, the saving clause in § 301(c) was intended to preserve state law protections against record piracy. At the time that Congress enacted the saving clause, its focus was on retaining existing state law protections against duplication and sale of pre-1972 recordings. It did not contemplate that state laws would be invoked to prohibit public performances of sound recordings, and the possibility of a future recognition of a federal performance right in sound recordings was still uncertain.

B. Long Ago (And Far Away):[38] *Early Cases Relating to Broadcasts of Sound Recordings*

Although there is a long history of state law protection against reproduction and distribution of sound recordings dating back almost to the birth of the recording industry in the early decades of the twentieth century,[39] there is little evidence of any state law recognition of a performance right in sound recordings prior to 2014.[40] In fact, during the years

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36 H. REP. NO. 94-1476, at 133 (1975).

37 S. REP. NO. 94-473, at 116 (1975).

38 Composed by Ira Gershwin and Jerome Kern, recorded by Frank Sinatra in 1944.

39 *See* Bauer, *supra* note 14, at 16-106.

40 As will be discussed in Section I(C) *infra*, in 2014, opinions addressing state law performance rights were issued by two separate federal district court cases involving claims brought against Sirius XM Radio under California and New York law by members of The Turtles for alleged violations of the digital performance right in their pre-1972 recordings over Sirius XM's satellite radio service. *See* Flo & Eddie, Inc. v. Sirius XM Radio, Inc., 112 U.S.P.Q.2d 1307 (C.D. Cal. 2014); Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13 Civ. 5784, 2014 WL 7172270 (S.D.N.Y. Nov. 14, 2014). As of the writing of this article, the question of whether Florida law provides similar state law protections of performance rights had just been decided in the negative by the Southern District of Florida. *See* Flo & Eddie, Inc. v. Sirius XM Radio, Inc., Case No. 1:13-CV-23182, Order Granting Defendant Sirius XM's Motion for Summary Judgment on Liability (S.D. Fla. June 22, 2015). The district court decision is now being appealed. *See* Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 15-13100 (11th Cir. notice of appeal July 10, 2015).

between 1941 and 2014 when radio stations were regularly broadcasting sound recordings, state laws were not invoked to prevent radio stations from doing so despite the absence of a license and failure to pay any compensation to the sound recording owners or performers. During those years, owners of sound recordings and artists who performed on them repeatedly sought relief from Congress in the form of federal protection for sound recordings that included a performance right, arguing the inequity of free use of their recordings by the broadcast industry.[41] The few cases that were brought to challenge the radio broadcast of sound recordings did not assert a right to control the performance of the work per se; instead they were based on written notices placed on sound recordings that purported to limit their use by the purchasers or the unfair competition resulting when live radio broadcasts of performances by musicians were competing with unauthorized broadcasts of recorded performances by the same musicians.[42]

The closest thing to recognition of a performance right in sound recordings under state law before the 1976 Copyright Law and 1995 DPRA were enacted was the Pennsylvania Supreme Court's opinion in *Waring v. WDAS Broadcasting Station*,[43] decided in 1937 after orchestra leader Fred Waring sued a Pennsylvania radio station for playing one of his records over the air in spite of a statement on the label of the record reading "Not licensed for radio broadcast."[44] The use of "not for radio broadcast" and

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[41] RINGER REPORT, *supra* note 30, at 28-58. In addition, music publishers and composers were actively engaged in enforcing the performance right in compositions against radio broadcasters during this time frame. Although there were many legal skirmishes that resulted in ongoing antitrust consent decree oversight of radio broadcasters' obligations to obtain a license and pay royalties to composition owners, broadcasters have paid performance royalties to the owners of the musical compositions that were performed on sound recordings since as early as the 1920s. *See* Bernard Korman, *U.S. Position on Collective Administration of Copyright and Anti-Trust Law*, 43 J. COPYRIGHT SOC'Y 158 (1995); RINGER REPORT, *supra* note 30, at 28-58. Similarly, although the focus of this article is on radio and radio-like services, it should be noted that musical composers were actively enforcing their federal performance right in lawsuits through blanket license negotiations with hotels, theaters, and arenas from at least as early at 1915, but recording artists or labels did not pursue state law remedies when the same sorts of venues began regularly performing sound recordings at events hosted in their facilities. *See generally* RUSSELL SANJEK, PENNIES FROM HEAVEN: THE AMERICAN POPULAR MUSIC BUSINESS IN THE TWENTIETH CENTURY (1996).

[42] *See* Waring v. WDAS Broad. Station, Inc., 194 A. 631 (Pa. 1937); RCA Mfg. Co. v. Whiteman, 114 F.2d 86 (S.D.N.Y. 1940), *cert. denied*, 311 U.S. 712 (1940); Waring v. Dunlea, 26 F. Supp. 338 (E.D. N.C. 1939).

[43] 194 A. 631 (Pa. 1937).

[44] *Id.*

similar labels in the late 1930s was described by Prof. Robert Gorman as an effort by the American Federation of Musicians ("AFM") to protect union jobs for live musicians in radio broadcasts and enforce a requirement of union contracts with record labels.[45] In affirming the grant of an injunction against further broadcasts of Waring's recordings, the Pennsylvania Supreme Court first found that there can be a common law property right in the performances of "those artists who elevate interpretations to the realm of independent works of art" and that Waring's orchestra met that standard because of its international acclaim and evidence that it was "unique" in its artistry.[46] The Pennsylvania Supreme Court then concluded that the restrictive covenant on the sale of the records, prohibiting broadcast of the recording over the radio, was not a violation of public policy and could be enforced in equity.[47] The court found that the doctrine of unfair competition also supported the injunction, because the orchestra typically was paid $13,500 for a single live performance over the radio and the defendant radio station, for the 75-cent cost of a record, had "appropriate[d] and utilize[d] for its own profit the musical genius and artistry of plaintiff's orchestra in commercial competition with the orchestra itself."[48]

In 1939, Waring similarly succeeded in enjoining a North Carolina radio station from using electrical transcriptions of his orchestra's performances that had been created for broadcast on the Ford Motor Program.[49] The transcriptions were labeled with notices stating that the recording was only to be used by a specified distributee and solely for the purpose of being played on the Ford Motor Program.[50] The court found that Waring's rendition of the composition created a property interest that could be subject to reasonable restrictive uses. It also found that the restrictions were reasonable because of the value of the performances and Waring's right to decide whether, when, how, and for whose advantage the renditions would be "mechanically reproduced."[51]

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45 Robert A. Gorman, *The Recording Musician and Union Power: A Case Study of the American Federation of Musicians*, 37 Sw. L.J. 697, 704 (1983).

46 *Waring*, 194 A. at 635.

47 *Id.* at 447-48.

48 *Id.* at 454, 455-56.

49 Waring v. Dunlea, 26 F. Supp. 338 (E.D. N.C. 1939). Electrical transcriptions are sound recordings that are (or were, in the early days of radio) specifically made for radio broadcast.

50 *Id.* at 339.

51 *Id.* at 339-40.

However, in spite of scholarly comment favoring the result in *Waring*,[52] subsequent events made these successes short-lived. The North Carolina legislature almost immediately enacted legislation specifically aimed at overruling the *Waring v. Dunlea* decision, expressly providing that any common law right to limit uses of a sound recording expires upon sale of the recording.[53] South Carolina enacted a similar statute around the same time.[54] Ultimately, over the next several decades, statutes were passed in almost every state in the U.S., limiting the ability of performers or owners of sound recordings to seek relief under state criminal law for radio broadcasts of sound recordings of those performances.[55]

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[52] *See* Note, *Rights of Performers and Recorders Against Unlicensed Record Broadcasts*, 49 YALE L.J. 559, 560 n.6 (1940) (citing a series of scholarly articles in 1937 and 1938 that approved of the result in *Waring*).

[53] N.C. GEN. STAT. § 66-28 (2014) (enacted in 1939 and providing that once a copy of a sound recording is sold in commerce, all common law rights that might attach to the recording are passed to the purchaser and any right to restrict the use of the recording is abrogated); Liberty/UA, Inc. v. Eastern Tape Corp., 180 S.E.2d 414, 418 (N.C. Ct. App. 1971) (noting legislative history of N.C. Gen. Stat. § 66-28 and finding that the purpose of the statute was "to overrule the Waring decision by eliminating any common law right to restrict the use of a recording sold for use in this State," but that the statute was not intended to preclude claims based on unauthorized copying of records sold to the public).

[54] *Liberty/UA, Inc.*, 180 S.E.2d at 418 (citing S.C. Code Ann. § 39-3-510 (2011)) (originally enacted in 1942).

[55] *See* ALASKA STAT. § 45-50-900(b) (enacted in 1974, formerly § 45.51.010-.020); ARIZONA REV. STAT. ANN. § 13-3705(B) (enacted in 1971 as § 13-1024); ARK. CODE ANN. § 5-37-510(d) (enacted in 1947 as § 41-2375 to -2376); CAL. PEN. CODE § 653h(g) (enacted in 1968); COLO. REV. STAT. § 18-4-605 (enacted in 1976); CONN. GEN. STAT. ANN. § 53-142b(c) (enacted in 1974); DEL. CODE ANN. tit. 11, § 923 (enacted in 1976); D.C. CODE ANN. § 22-3214(c)(2) (enacted in 1982); FLA. STAT. § 540.11(6)(a) (enacted in 1971, formerly § 543.041); GA. CODE ANN. §§16-8-60(c)(1) & (2) (enacted in 1975); Haw. Rev. Stat. § 482C-4 (enacted in 1975); IDAHO CODE § 18-7606 (enacted in 1976); 720 ILL. COMP. STAT. 5/16-7(g) (enacted in 1961); IND. CODE §§ 35-17-7-1 to 3 (repealed by Pub. L. 148, § 24 (1976)); Iowa Code § 714-15(4) (enacted in 1977); KAN. STAT. ANN. § 21-3748(c) (enacted in 1976, repealed by Laws 2010, ch. 136, § 307, eff. July 1, 2011); KY. REV. STAT. § 434.445(5) (enacted in 1974); LA. REV. STAT. ANN. § 14.223.2 (enacted in 1972); ME. REV. STAT. ANN. § 1261(5) (enacted in 1975); MASS. GEN. LAWS ANN. § 143D (enacted in 1990); MICH. COMP. LAWS ANN. § 752.785 (enacted in 1975); MINN. STAT. § 325E.19 (enacted in 1973); MISS. CODE ANN. § 97-23-91 (enacted in 1974); MO. ANN. STAT. § 570.245(1) (enacted in 1977, repealed by L. 2014, S.B. No. 491, § A, effective Jan. 1, 2017); MONT. CODE ANN. § 30-13-146(2) (enacted in 1977 as § 85-606 of the Revised Code of Montana 1947); NEB. REV. STAT. § 28-1325(1) (enacted in 1977); NEV. REV. STAT. ANN. § 205.217(3) (enacted in 1973); N.H. REV. STAT. §§ 352-A:2(III)(b)(1) & (3) (enacted in 1973); N.J. STAT. § 2C:21-

In *RCA, Inc. v. Whiteman*,[56] only three years after *Waring* was decided, the Second Circuit Court of Appeals acknowledged the Pennsylvania Supreme Court's decision but refused to issue an injunction in comparable circumstances under New York law. In *Whiteman*, an orchestra leader sought to restrain radio broadcasts of sound recordings of the orchestra's performances where the records bore a notice stating that the recording was "not licensed for radio broadcast" or "only for non-commercial use on phonographs in homes."[57] In spite of these notices, the defendant purchased records and broadcast them over its radio system.[58] Judge Learned Hand, writing for the Second Circuit, noted that although recordings of performances of popular artists are "exceedingly valuable," neither the artists nor the maker of the records could "impose valid restrictions on their resale."[59] Judge Hand also questioned whether any right to control performances of a sound recording existed under common law copyright, stating,

> Copyright in any form, whether statutory or at common-law, is a monopoly; it consists only in the power to prevent others from reproducing the copyrighted work. W.B.O. Broadcasting has never invaded any such

21(f)(1) (enacted in 1991); N.M. STAT. ANN. § 30-16B-6(A) (enacted in 1974); N.Y. PENAL LAW § 275.45(1)(a) (enacted in 1978 as § 275.25); N.C. GEN. STAT. § 14-433(c) (enacted in 1973); N.D. CENT. CODE § 47-21.1.05 (enacted in 1977); OHIO REV. CODE ANN. § 1333.52(C)(1)–(2) (enacted in 1976); 21 OKL. STAT. ANN. §§ 1865-1869 (enacted in 1975, repealed by Laws 1991, c. 82, § 8); OR. REV. STAT. §§ 164.873(2)(a)-(c) (enacted in 1993); 18 PA. COMP. STAT. ANN. § 4116(c)(1)-(c)(2) (enacted in 1972); R.I. GEN. LAWS 1956 § 6-13.1-15(d) (enacted in 1976); S.C. CODE ANN. § 16-11-950 (enacted in 1975); S.D. CODIFIED LAWS ANN. § 43-43A-4(1) (enacted in 1975); UTAH CODE ANN. § 13-10-5(1) (enacted in 1973); VA. CODE ANN. § 59.1-41.2 (enacted in 1972); WASH. REV. CODE § 19-25-800 (enacted in 1991); W. VA. CODE § 61-3-50(d)(5) (enacted in 1976); WISC. STAT. § 943.207(4)(a) (enacted in 1975); WYO. STAT. ANN. § 40-13-206(a)(i) (enacted in 1978).

56 114 F.2d 86 (2d Cir. 1940), *cert. denied*, 311 U.S. 712 (1940).

57 *Id.* at 87.

58 *Id.*

59 *Id.* at 88. The court went on to conclude that the common law property interest in the performances "ended with the sale of the records and that the restriction did not save it; and that if it did, the records themselves could not be clogged with a servitude." *Id.* The determination that the sale of the records constituted a "publication" of the work that deprived it of common law copyright protection was later narrowed, if not overruled, to make it clear that the sale of records of a performance does not deprive the sound recording's owner of common law claims against those who copy and sell those records for profit. *See* Metro. Opera Ass'n v. Wagner-Nichols Recorder Corp., 101 N.Y.S.2d 483, 494-95 (Sup. Ct. N.Y. Cnty. 1950); Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657, 663 (2d Cir. 1955); Capital Records, Inc. v. Naxos of Am., 830 N.E.2d 250 (N.Y. 2005).

> right of Whiteman; they have never copied his performances at all; they have merely used those copies which he and the RCA Manufacturing Company, Inc. made and distributed.[60]

Acknowledging that the Supreme Court of Pennsylvania had reached a different conclusion in *Waring*, Judge Hand, "with much regret," indicated that the Second Circuit was unconvinced by the reasoning in *Waring*.[61] Even though broadcasts by the defendant in *Whiteman* could reach Pennsylvania, where the performances of the plaintiff's recordings might constitute a tort, Judge Hand found that an injunction could not be confined to broadcasting to radio sets in Pennsylvania alone.[62]

Judge Hand also rejected unfair competition as a basis for relief, finding that without common law copyright protection for the recordings, there was no justification for allowing Whiteman and the record manufacturing company to have any control over how the public used the recording. Writing for the Second Circuit, he stated:

> We cannot know how Congress would solve this issue; we can guess — and our guess is that it would refuse relief as we are refusing it — but if our guess were the opposite, we should have no right to enforce it. If the talents of conductors and orchestras are denied that compensation which is necessary to evoke their efforts because they get too little for phonographic records, we have no means of knowing it, or any right to assume it; and it is idle to invoke the deus ex machina of a "progress" which is probably spurious, and would not be for us to realize, if it were genuine.[63]

The United States Supreme Court denied certiorari in the *Whiteman* case, after which no other reported decisions reflect any efforts by owners of or performers in sound recordings to bring state law-based challenges to radio broadcasts of those sound recordings. As Prof. Gorman describes it, "The impact of [*Whiteman*] was great, both because it was expressed in a most thoughtful opinion by the most highly regarded jurist of his day, Learned Hand, and because the Second Circuit encompassed New York, a center for record production and sales and for radio broadcasting."[64]

After losing the battle in *Whiteman*, the AFM moved on to different tactics in seeking to prevent the broadcast of sound recordings or electrical transcriptions in lieu of live performances by musicians, including several

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60 114 F.2d at 88.

61 *Id.* at 89 (citing Waring v. WDAS Broad. Station, 194 A. 631 (Pa. 1937).

62 *Id.* at 89-90. "We must therefore choose between denying any injunction whatever — since in our judgment the act is unlawful only in Pennsylvania — or enjoining W.B.O. Broadcasting Corporation from broadcasting throughout the Union and in Canada in order to prevent a tort in Pennsylvania alone. This would be an obvious misuse of the writ which goes only in aid of justice." *Id.*

63 *Id.* at 90.

64 Gorman, *supra* note 45, at 704.

multi-year strikes by union musicians.[65] In response to those strikes and related efforts by the AFM that were viewed by many as strong-arm tactics, broadcasters successfully lobbied for federal legislation.[66] "Attempts to impose direct pressure on the broadcasters were totally undermined by the Lea Act of 1946, which outlawed strikes — and thus effective collective bargaining — designed to expand or preserve live employment in radio, to eliminate or restrict the use of records in broadcasting, or even to extract performance royalties for the recording musicians for the radio use of their recordings. The failure to pressure the broadcasters on the issue of 'performers' rights' was attributable just as much to congressional mandate as to the preferences of Mr. Petrillo [the head of the AFM]."[67] The Lea Act — part of the Telecommunications Act governing radio broadcasting — was principally aimed at barring strikes in support of efforts by musicians to impose limits on uses of recordings in radio broadcasts, such as the "not for radio broadcast" labels at issue in the *Waring* and *Whiteman* cases, or efforts to pressure broadcasters to pay musicians when electrical transcriptions of performances were rebroadcast.[68]

By the time the Copyright Act of 1976 was enacted, it was well known to Congress and to all participants in the music industry that radio stations had been performing sound recordings in their broadcasts without seeking permission from or paying the owners of the master recordings or performers on the recordings. If state law-based performance rights existed at all, they were dormant across the nation for the decades leading up to the 1971 SRA and the Copyright Act of 1976.[69]

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65 *See generally id.* at 704-21.

66 *Id.* at 711-21.

67 *Id.* at 784-85.

68 An Act to amend Title V of the Communications Act of 1934 so as to prohibit certain coercive practices affecting radio broadcasting, ch. 138, 60 Stat. 89 (1946) (codified at 47 U.S.C. § 506) (repealed by An Act to Appeal Section 506 of the Communications Act of 1934, Pub. L. No. 96-507, § 1, 94 Stat. 2747 (Dec. 8, 1980)); *see also* Gorman, *supra* note 45, at 717. Because the Lea Act was not repealed until 1980, its provisions precluding musicians or their representatives from using "duress" or "other means" to prevent radio broadcast of recordings remained in effect from 1946 through and beyond the effective date of the Copyright Act of 1976. For a detailed discussion of the Lea Act in relation to efforts of the American Federation of Musicians to protect musicians against radio broadcast of recorded performances, see Gorman, *supra* note 45.

69 *See* COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS, *supra* note 6, at 44-45; Dorothy M. Schrader, *Sound Recordings: Protection Under State Law and Under the Recent Amendment to the Copyright Code*, 14 ARIZ. L. REV. 689, 693 & n.49 (1972) (describing state law protections for sound recordings fixed before the 1971 SRA became effective and hypothesizing that "there have been no cases on broadcasting of records since *Whiteman* because of altered industry practice and technological changes," with the

Thus, when Congress opted to exclude pre-1972 sound recordings from federal protection and left them to the states to protect, there is no evidence of any intent by Congress to allow states to recognize and protect a performance right in sound recordings. The debate over whether to grant performance rights to sound recordings, which continued through the issuance of the Ringer Report in 1978 (and continues today), reflects the presumption of all interested parties that no such right existed.[70] As will be discussed *infra* in Section II(B), the prospect of state laws applying to performance rights in pre-1972 sound recordings was also not mentioned or considered in the legislative history of the 1995 DPRA; by that point in time, all members of the music industry took it for granted that the only protection for performances of sound recordings was the limited digital public performance right granted for the first time in the 1995 DPRA. Thus, the music industry was floored when a series of decisions were issued by courts in the fall of 2014 that recognized the existence of state law protections for public performances of sound recordings.[71]

B. Everybody Has the Right to Be Wrong (At Least Once):[72] *Recent Cases Addressing State Law Performance Rights in Sound Recordings*

In practice, for many decades, state laws have presented no obstacle for radio broadcasts of sound recordings — which constitute performances of those recordings — and it is only recently that owners of pre-1972 sound recordings have begun to assert that a digital public performance right exists under state laws protecting sound recordings from unauthorized reproductions. In 2013, two decades after satellite radio companies first began digitally performing sound recordings over their services, the first of several related lawsuits were filed by owners of pre-1972 record-

decline of "live" radio performances by musicians making unfair competition claims inapplicable).

[70] RINGER REPORT, *supra* note 30; *see also* Note, *Performers' Rights and Copyright: The Protection of Sound Recordings from Modern Pirates*, 59 CAL. L. REV. 548, 573 (1971) (describing the 1967 Senate subcommittee hearings on the copyright revision and "a rather massive effort" by interested parties to include a performance right in sound recordings, who argued that "the commercial value of a musical composition is created largely by the record manufacturer and the performing artists, who get no compensation from the use of their records by radio stations and other users").

[71] *See, e.g.*, Stephen Carlisle, Flo and Eddie v. Sirius XM Radio*: Have Two Hippies from the 60's Just Changed the Course of Broadcast Music?* (Oct. 2, 2014), http://copyright.nova.edu/flo-and-eddie-v-sirius-xm-radio.

[72] Composed by Sammy Cahn and Jimmy Van Heusen, recorded by Frank Sinatra in 1965.

ings, alleging that those digital performances violated state law.[73] The desire by owners of pre-1972 recordings to seek compensation for digital public performances on streaming services is understandable: digital streaming revenues for sound recording owners has grown geometrically over the past decade, while income from sales of recordings, including digital downloads, has decreased over time.[74] Although owners of pre-1972 recordings thus continue to earn revenue from any sales — in the form of physical albums or CDs or in the form of digital downloads on services like iTunes and Amazon — of their works, in the absence of federal or state law recognition of public performance rights in those works, they will be unable to profit from uses of their works in the digital streaming marketplace by webcasters, satellite radio, and Internet streaming services.

Two recent federal district court cases, one interpreting California law and one interpreting New York law, have found those state laws to provide owners of pre-1972 sound recordings a performance right in those sound recordings that was violated by Sirius XM Radio when it digitally streamed the recordings on its Internet radio service.[75]

In the California case, the entity owning the pre-1972 sound recordings by the band The Turtles, Flo & Eddie, Inc. ("Flo & Eddie"), sought summary judgment on liability for its state law causes of action arising out of Sirius XM's broadcasting and streaming of sound recordings to subscribers, as well as making reproductions of sound recordings in the operation of its business.[76] Finding questions of fact that precluded summary judgment relating to the alleged reproductions of Flo & Eddie's sound recordings made by Sirius XM, the court granted the motion on all causes of action, but solely with respect to the performance of the sound recordings at issue by Sirius XM through its digital broadcasting and streaming

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[73] *See, e.g.*, Flo & Eddie, Inc. v. Sirius XM Radio, Inc., 112 U.S.P.Q.2d 1307 (C.D. Cal. 2014); Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13 Civ. 5784, 2014 WL 7172270 (S.D.N.Y. Nov. 14, 2014).

[74] *Compare* SoundExchange, SoundExchange Fact Sheet (including Chart of Payments 2005–2014), *available at* http://www.soundexchange.com/wp-content/uploads/2015/02/SX-Fact-Sheet_2.13.151.pdf (last updated Feb. 13, 2015) (showing collected revenues from online streaming of sound recordings increasing from $20 million in 2005 to $773 million in 2014), *with Scope of the Problem*, RIAA, *available at* http://www.riaa.com/physicalpiracy.php?content_selector=piracy-online-scope-of-the-problem (last visited Mar. 18, 2015) (stating that U.S. music sales dropped 53%, from $14.6 billion in 1999 to $7.0 billion in 2013).

[75] *Flo & Eddie, Inc.*, 112 U.S.P.Q.2d 1307; *Flo & Eddie, Inc.*, 2014 WL 7172270.

[76] *Flo & Eddie, Inc.*, 112 U.S.P.Q.2d at 1310. The plaintiff asserted claims based upon California Civil Code § 980(a)(2) (California's copyright statute), California Business & Professional Code §§ 17200 et seq. (California's unfair competition law), and common law claims of conversion and misappropriation).

services.[77] In finding liability on all four causes of action, the court relied on its interpretation of California Civil Code § 980(a)(2), the state statute governing copyright in pre-1972 sound recordings, as encompassing the grant of an exclusive right to publicly perform those sound recordings.[78]

The pertinent language in § 980(a)(2) of the California Civil Code provides:

> The author of an original work of authorship consisting of a sound recording initially fixed prior to February 15, 1972, has an exclusive ownership therein until February 15, 2047, as against all persons except one who independently makes or duplicates another sound recording that does not directly or indirectly recapture the actual sounds fixed in such prior recording, but consists entirely of an independent fixation of other sounds, even though such sounds imitate or simulate the sounds contained in the prior sound recording.[79]

The court found that because the "exclusive ownership" provision of the California statute listed only one exception — permitting independent fixation of imitations of the sound recording — the legislature must have intended no other limitations of the ownership right in sound recordings.[80] Although the court found the statutory language to be unambiguous, it also concluded that its interpretation of that language was consistent with the legislative history of the statute. That history showed that the legislature considered the 1976 Copyright Act in drafting its 1982 amendments to § 980(a)(2), and thus the court found that the legislature was likely aware of 17 U.S.C. § 114(a)'s exclusion of performance rights from the rights granted to owners of sound recordings under federal law, yet chose to include no such limitation in its revisions to § 980(a)(2).[81]

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[77] *Id.* at 1318.

[78] *Id.* at 1312-14, 1317.

[79] CAL. CIV. CODE § 980(a)(2).

[80] *Flo & Eddie, Inc.*, 112 U.S.P.Q.2d at 1311.

[81] *Id.* at 1314. The California *Flo & Eddie* opinion also noted that two courts had previously discussed a performance right in sound recordings under § 980(a)(2), citing Capital Records, LLC v. BlueBeat, Inc., 765 F. Supp. 2d 1198 (C.D. Cal. 2010) and Bagdasarian Prods., LLC v. Capitol Records, Inc., No. B217960, 2010 WL 3245795 (Cal. Ct. App. Aug. 18, 2010) and asserting that both opinions supported its interpretation of § 980(a)(2) as including a performance right in pre-1972 sound recordings. *Id.* at 1314. However, neither of these 2010 opinions expressly tackled the question of state law protection for digital performances, let alone whether the federal compulsory licensing system for digital radio services conflicted with any such state law protection. *Bagdasarian*'s use of an example that assumed a state law performance right in a recording if "played during a live stage show" was pure dicta, without any analytical component or support, and did not implicate digital performances. *Id.* at 1315. *BlueBeat* did not expressly analyze the question of whether California law grants a performance right to owners of sound recordings; the court simply stated that the defendant

In the New York *Flo & Eddie* case, the plaintiff brought a putative class action against Sirius XM Radio, alleging claims arising under New York common law copyright and unfair competition laws.[82] Sirius XM moved for summary judgment, arguing, inter alia, that New York common law copyright protection for pre-1972 recordings afforded no exclusive right of public performance.[83] The court denied the motion, finding that New York common law protecting pre-1972 sound recordings was broad enough to include a public performance right. The court thus issued an order to show cause why summary judgment on liability should not be entered in favor of the plaintiff.[84] In so doing, the court recognized that whether New York common law copyright includes a public performance right was a question "of first impression, and one that has profound economic consequences for the recording industry and both the analog and digital broadcast industries."[85] In spite of the court's acknowledgment that its ruling would disrupt the settled expectations of the industry, it reasoned that New York's common law copyright protection for works other than sound recordings encompassed the full "bundle" of rights, including performance rights where applicable. Thus, the court saw no reason to infer that those rights would be more limited for sound recordings in spite of the absence of any judicial recognition of a performance right in sound recordings in the preceding decades and the absence of any efforts by owners of sound recordings to enforce such a common law right.[86]

Litigation in these and some of the related cases is ongoing. The plaintiff in both the California and New York *Flo & Eddie* cases has sought class certification on behalf of similarly-situated owners of pre-1972

conceded that it reproduced, sold, and publicly performed the pre-1972 recordings at issue without authorization and concluded that, as a result, it was "liable for misappropriation, unfair competition, and conversion." 765 F. Supp. 2d at 1206. The sole authority cited for that conclusion was *A & M Records, Inc. v. Heilman*, 142 Cal. Rptr. 390 (Cal. Ct. App. 1977), but the court mischaracterized the holding in *A & M Records* by stating that it held that duplication, sale, *and performance* of a sound recording without authorization is a classic example of misappropriation, unfair competition, and conversion. *Capital Records*, 785 F. Supp. 2d at 1206. In fact, *A & M Records* involved classic record piracy through unauthorized duplication and sale of records and neither mentioned nor reached any holding about performances of sound recordings. *A & M Records*, 142 Cal. Rptr. at 394-401.

82 Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13 Civ. 5784, 2014 WL 7172270 (S.D.N.Y. Nov. 14, 2014).

83 *Id.* at *8.

84 *Id.* at *1, *10-*15.

85 *Id.* at *10.

86 *Id.* at *10-*14.

recordings.[87] As of the writing of this article, the federal court in California had denied leave to file an interlocutory appeal of the ruling on liability and was proceeding with the request to certify a class action, but the New York court granted leave to file an interlocutory appeal and proceedings were suspended while the Second Circuit hears the appeal.[88] Lawsuits alleging similar state law performance rights claims for pre-1972 recordings have also been filed against Pandora Media, Inc. by both Flo & Eddie and the major labels.[89]

The major record labels had initiated a California state court proceeding against Sirius XM that relied on the reasoning in the California federal *Flo & Eddie* case to find a state performance right in sound recordings; although the California Supreme Court denied a petition to review that decision, the case was recently settled for $210 million.[90] In addition, at

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[87] *See, e.g.*, Flo & Eddie, Inc. v. Sirius XM Radio, Inc., CV 13-5693, Order Denying Motion to Certify for Interlocutory Appeal (Nov. 20, 2104); Flo & Eddie, Inc. v. Sirius XM Radio, Inc., CV 13-5693, Order Denying Motion for Reconsideration (Feb. 19, 2015); Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13 Civ. 5784, Decision and Order (Jan. 15, 2015) (deferring ruling on merits of Flo & Eddie's motion for summary judgment on liability pending determination of class action certification).

[88] *See, e.g.*, Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13 Civ. 5784, Decision and Order Certifying Interlocutory Appeal (S.D.N.Y. Feb. 10, 2015), *leave to appeal granted*, No. 15-497 (2d Cir. April 15, 2015); Flo & Eddie, Inc. v. Sirius XM Radio, Inc., CV 13-5693, Order Denying Motion to Certify for Interlocutory Appeal (C.D. Cal. Nov. 20, 2014) (setting schedule for discovery for class certification and damages). Sirius XM filed a nearly identical motion for summary judgment as to liability in a Florida federal case in 2014, and on June 22, 2015 the United States District Court for the Southern District of Florida granted Sirius XM's motion, concluding that Florida law did not include an express public performance right and that the issue is one "for the Florida legislature." Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13-23182-CIV, 2015 WL 3852692, at *5 (S.D. Fla. June 22, 2015).

[89] *See, e.g.*, Flo & Eddie, Inc. v. Pandora Media, Inc., No. 2:14-cv-07648 (C.D. Cal. Oct. 14, 2014). In the Pandora litigation in the Central District of California, Pandora filed a motion to dismiss pursuant to California's anti-SLAPP statute. The court denied the motion, finding that although Pandora's conduct was protected, speech-related activity under the anti-SLAPP statute, Flo & Eddie had demonstrated that its state law performance right claims were "sufficiently meritorious" to survive the motion. Flo & Eddie, Inc. v. Pandora Media, Inc., No. 2:14-cv-07648, Minute Order Denying Pandora's Anti-SLAPP Motion to Dismiss (C.D. Cal. Feb. 23, 2015). That ruling has since been appealed to the Ninth Circuit. Flo & Eddie, Inc. v. Pandora Media, Inc., No. 15-55287 (9th Cir. Feb. 24, 2015).

[90] Capitol Records, LLC v. Sirius XM Radio, Inc., No. BC920581, Court's Ruling (L.A. Sup. Ct. Dec. 5, 2014) (granting reconsideration of Oct. 14, 2014, Order Granting Capitol Record's Motion for a Jury Instruction but reaffirming ruling that California law protected performance rights in sound recordings; also granting certification of interlocutory appeal), *petition for review de-*

least one state legislature is considering enacting a law that would provide owners of pre-1972 sound recordings with an exclusive performance right similar to that recognized by the Central District of California in the Flo & Eddie litigation.[91] Thus, in spite of the recent settlement between Sirius XM and the major labels, the issue of whether state laws provide owners of pre-1972 recordings with remedies against Internet and satellite streaming services is still hotly in dispute.

The rulings in the California and New York cases have been widely acknowledged as potentially devastating to Internet and satellite radio services.[92] They also serve to provide greater bargaining power to owners of

nied, No. S224881 (Cal. Apr. 29, 2015). In the state court proceedings, the Los Angeles Superior Court initially granted Capitol Records' motion for a jury instruction regarding state law protection of performance rights in sound recordings, relying on the Central District of California opinion in the *Flo & Eddie* case to find that such protection existed under California law — but agreed with Sirius XM that any finding of liability would be premature. Capitol Records, LLC v. Sirius XM Radio, Inc., No. BC920581, Court's Ruling on Submitted Matter: Plaintiffs' Motion for Jury Instruction (L.A. Super. Ct., Oct. 14, 2014). After the Superior Court granted Sirius XM's motion for certification for interlocutory appeal in December 2014, the California Court of Appeal summarily denied the writ of mandate, Sirius XM Radio, Inc. v. S.C.L.A., No. B260717 (Cal. Ct. App. 2d App. Dist. Feb. 23, 2015), and Sirius XM filed a petition for review with the California Supreme Court that was denied in April of 2015. Sirius XM Radio, Inc. v. S.C. (Capitol Records), No. S224881 (Cal. Apr. 29, 2015). In late June 2015, the parties announced a settlement of the California state litigation between the major labels and Sirius XM, in which Sirius XM has agreed to pay $210 million to the labels, and the labels have consented to continued streaming of their pre-1972 recordings through 2017, with renewal rights subject to mediation. *See* Ben Sisario, *SiriusXM Settles a Lawsuit on Songs Made Before '72*, N.Y. TIMES, June 27, 2015, at B3, *available at* http://www.nytimes.com/2015/06/27/business/sirius-xm-settles-royalty-dispute-over-old-recordings.html?_r=0.

91 *See* SB 1287, 28th Leg. (Haw. 2015), *available at* http://www.capitol.hawaii.gov/session2015/bills/SB1287_SD2_.htm (proposing to make it a misdemeanor to violate the exclusive rights of a pre-1972 sound recording owner).

92 *See, e.g.*, Carlisle, *supra* note 71; Lee Gesmer, *The Kerfuffle Over Copyrights in Pre-1972 Sound Recordings*, Mass Law Blog (Oct. 22, 2014), http://masslawblog.com/copyright/the-kerfuffle-over-copyrights-in-pre-1972-sound-recordings; Lee Gesmer, *Flo & Eddie v. Sirius XM – The Other Shoe Drops on the East Coast*, MASS LAW BLOG (Nov. 19, 2014), http://masslawblog.com/copyright/flo-eddie-v-sirius-xm-the-other-shoe-drops-on-the-east-coast (describing the second ruling against Sirius as potentially "catastrophic," noting that the decisions "create more questions than answers" because of ambiguity about damages under state law, and suggesting that the decision should add pressure on Congress to amend the Copyright Act to protect pre-1972 recordings); Steve Gordon, *A California Federal District Court's Decision in a Case Against Sirius XM Has Broader Implications than Just*

pre-1972 sound recordings than that provided under federal law to owners of sound recordings fixed after February 15, 1972, who are compelled to license their sound recordings to Internet and satellite radio services at rates that some argue are lower than they should be. Because the parties to the *Flo & Eddie* cases did not raise, and the courts did not consider, conflict preemption under the Supremacy Clause, the California and New York federal court opinions did not undertake any analysis of whether or how the recognition and enforcement of state law performance rights in digital streaming of sound recordings might interfere with the federal compulsory licensing system established by the Digital Performance Right in Sound Recordings Act of 1995.

II. PENNIES FROM HEAVEN:[93] *THE LEGISLATIVE HISTORY OF THE DPRA AND THE COMPLEX STATUTORY PROVISIONS GOVERNING DIGITAL PUBLIC PERFORMANCE RIGHTS IN SOUND RECORDINGS UNDER THE DPRA*

The state law performance rights recognized in the *Flo & Eddie* cases come into direct conflict with the goals and purposes of the compulsory statutory licensing provisions of Section 114 of the Copyright Act that were first enacted by Congress in 1995.[94] By the mid-1990s, the digital era had arrived and it had become possible to make perfect copies of recorded works released in digital format, both by copying them onto compact discs and by transmitting them over the Internet or other digital transmission mechanisms. Although sound recordings that were broadcast over terrestrial radio could be recorded in analog format and sold as a substitute for authorized records, the sound quality of analog recordings was comparatively poor and degraded over time. Record labels became concerned, however, that digital performances of sound recordings through emerging services like satellite radio could be captured in perfect copies and replayed by consumers, serving as a substitute for sales of recordings.

Thus, in response to pleas from record labels for greater protection against digital piracy of sound recordings and after repeated meetings and negotiations with copyright owners, fledgling satellite radio companies, In-

Whether Internet Radio and Satellite Services Must Pay for Pre-1972 Sound Recordings, THE ENTERTAINMENT, ARTS AND SPORTS LAW BLOG (N.Y. State Bar Assoc., Oct. 8, 2014), http://nysbar.com/blogs/EASL/2014/10/a_california_federal_district.html.

93 Composed by Arthur Johnston and Johnny Burke, recorded by Frank Sinatra in 1956 and again in 1962.

94 17 U.S.C. § 114 (2012).

ternet services, and other interested parties,[95] Congress passed the 1995 DPRA.[96] The 1995 DPRA added a limited, digital performance right for sound recordings to section 106 of the Copyright Act, which applied solely to public performances by means of a "digital audio transmission."[97] Additionally, the 1995 DPRA amended the Copyright Act to both define the scope of the new digital public performance right and to create a system for compensating recording artists and copyright owners for uses implicating this right.[98]

The new digital public performance right, as amended by the Digital Millennium Copyright Act, created three different categories of digital audio transmissions, each with separate limitations: exempt transmissions that are permitted without a license or compensation; "a mandatory scheme of 'voluntary licensing' for interactive transmissions"; and "a compulsory license scheme for subscription [and eligible nonsubscription] transmissions."[99] The § 114 digital audio transmission categories are summarized below in Figure 1.

The exempt transmissions, even though they are public performances of sound recordings by means of digital audio transmissions, are immune from liability to copyright owners of sound recordings.[100] The provisions governing exempt transmissions were largely intended to capture traditional terrestrial radio broadcasts even if the broadcast is transmitted digitally, so long as they were broadcast to the public for free rather than limited to subscribers.[101]

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95 *See* S. REP. NO. 104-128, at 13 (1995) (discussing the rationale for providing a digital public performance right and the competing interests at stake).

96 Pub. L. No. 104-39, 109 Stat. 336.

97 *Id.* As part of the legislative tradeoff that enabled passage of the DPRA, the statute expressly recognized that the new digital performance right in sound recordings would not extend to performances over terrestrial radio. 17 U.S.C. §§ 114(d)(1), (j)(3) (2012).

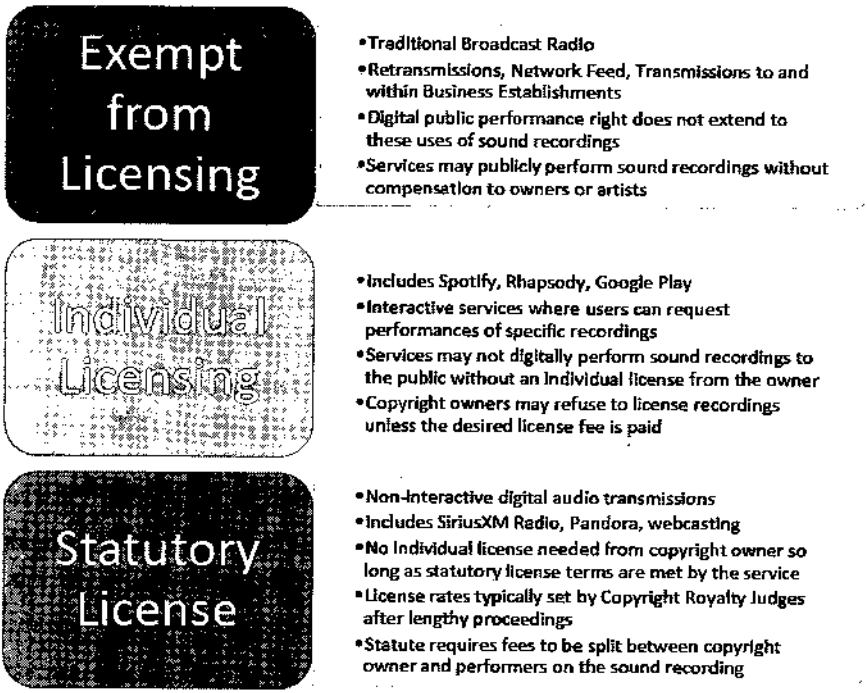
98 17 U.S.C. § 114(d)(2) (2012).

99 2 NIMMER & NIMMER, *supra* note 14, § 8.22[A][1] (recognizing in a footnote the oxymoronic nature of the characterization of the second category as a mandatory scheme of "voluntary" licensing).

100 17 U.S.C. § 114(d)(1) (2012).

101 Both the Copyright Office and the courts have since made it clear that the "exemption" for terrestrial radio does not apply to digital streaming of terrestrial radio broadcasts over the Internet. *See, e.g.*, Public Performance of Sound Recordings: Definition of Service, 65 Fed. Reg. 77,292 (Dec. 11, 2000); Bonneville Int'l Corp. v. Peters, 347 F.3d 485 (3d Cir. 2003). The practical effect of this exemption and subsequent judicial limitation is that when traditional radio stations simultaneously broadcast a program over the air and over a digital Internet stream, those stations are only required to pay royalties to sound recording owners and artists for the digital transmission of the recordings. Other exempt transmissions include retransmissions of nonsubscription broadcasts (even if through a subscription service), 17

Figure 1: Categories of Digital Audio Transmissions Covered by § 114



At the other end of the spectrum are interactive services, which must negotiate directly with copyright owners and obtain a license before publicly performing a sound recording via a digital audio transmission.[102] An

U.S.C. § 114(d)(1)(B) (2012); prior or simultaneous transmissions incidental to an exempt transmission (such as network feed), *id.* § 114(d)(1)(C)(i); transmissions within a business establishment (i.e., "storecasts"), *id.* § 114(d)(1)(C)(ii); "through to the listener" transmissions where the transmitting entity has a public performance license and has authorized retransmission of the transmissions to its customers (such as in the context of cable systems), *id.* § 114(d)(1)(C)(iii); and transmissions to a business establishment for use in the ordinary course of its business (such as for background music in restaurants or stores), *id.* § 114(d)(1)(C)(iv). Although a detailed discussion of exempt transmissions is outside the scope of this article, Congress has demonstrated a clear intent in the context of exempt transmissions that no liability attach to the specified activities. Because any efforts to enforce state law performance rights would interfere with that intent, the preemption arguments detailed below in the context of transmissions qualifying for the compulsory statutory license would likely apply equally — or even more strongly — in the context of exempt transmissions under § 114.

[102] 17 U.S.C. § 114(d)(3) (2012).

interactive service is defined as a service that "enables a member of the public to receive a transmission of a program specifically created for the recipient," including one allowing a member of the public to receive, "on request, a transmission of a particular sound recording. . . ."[103] Owners of sound recordings were given the greatest control over digital public performances of their works by interactive services because of the concern that these sorts of "on-demand" services would have the strongest substitutional impact on sales; if listeners could dictate the content of the stream to be able to listen to whatever recordings they desired, then there would be no need for them to purchase the recording.[104]

Finally, and most pertinent to the recent New York and California litigation involving Sirius XM, § 114 created a compulsory statutory licensing system for qualifying "non-interactive" digital audio transmissions of sound recordings.[105] As a general matter, compulsory statutory licenses have been created by Congress with regard to specific uses of specific types of works to allow for a more efficient mechanism in both guaranteeing public access to works and compensating copyright owners.[106] Such

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[103] *Id.* § 114(j)(7). The full definition of an "interactive service" is:

> one that enables a member of the public to receive a transmission of a program specially created for the recipient, or on request, a transmission of a particular sound recording, whether or not as part of a program, which is selected by or on behalf of the recipient. The ability of individuals to request that a particular sound recordings be performed for reception by the public at large, or in the case of a subscription service, by all subscribers of the service, does not make a service interactive, if the programming on each channel of the service does not substantially consist of sound recordings that are performed within 1 hour of the request or at a time designated by either the transmitting entity or the individual making such request. If an entity offers both interactive and noninteractive services (either concurrently or at different times), the noninteractive component shall not be treated as part of an interactive service.

Id.

[104] *See* Arista Records, LLC v. Launch Media, Inc., 578 F.3d 148, 154-55 (2d Cir. 2009) (noting that Congress intended the digital public performance right to be "narrow" and that the grant of the right was motivated by the legitimate concerns of record companies about the potential for interactive, on-demand webcasting to substantially reduce record sales).

[105] 17 U.S.C. § 114(d)(2) (2012).

[106] The first compulsory license created by Congress under its constitutional authority to enact legislation to "promote the Progress of Science and useful Arts," U.S. CONST. art. I, § 8, was a mechanical license created under the Copyright Act of 1909 that permitted mechanical recording of a composition if certain conditions were met, including payment of a statutory royalty to the owner of the composition. *See* HARRY G. HENN, THE COMPULSORY LICENSE PROVISIONS OF THE U.S. COPYRIGHT LAW 2 n.13 (Comm. Print 1956) (General Revision of the Copyright Law, Study No. 5, *available at* http://www.copyright.gov/history/studies/study5.pdf (discussing section 1(e)

licenses impose a limitation on both the owner's ability to control access to the category of works and on the owner's ability to set a price for use of those works by others.[107] As a result, statutory licenses inevitably reflect both a considered balancing by Congress of the rights of copyright owners and the rights of those who wish to use the works. They also typically encompass a carefully crafted system to define who qualifies for the license and how royalties will be determined and paid.[108] These characteristics of a statutory license are all reflected in the 1995 DPRA, whereby Congress created an addition to the existing bundle of federal property rights in sound recordings for the benefit of copyright owners — and for the benefit of musical performing artists[109] — but ensured access to these works by licensees in narrowly defined circumstances through a compulsory statutory license.

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of the 1909 Act). Today, Title 17 of the U.S. Code establishes several different types of statutory licenses, many of which apply to musical compositions or sound recordings and their uses in various media, which are administered in part by the Licensing Division of the Copyright Office. *See, e.g.*, 17 U.S.C. § 111(2012) (secondary transmissions by cable systems); *id.* § 112 (ephemeral recordings); *id.* § 114 (public performance of sound recordings by means of a digital audio transmission); *id.* § 115 (use of musical composition in making and distributing phonorecords); *id.* § 118 (use of certain works in connection with noncommercial broadcasting); *id.* § 119 (secondary transmissions by satellite carriers); *id.* § 122 (secondary transmissions by satellite carriers for local retransmissions); *id.* § 1001 et seq. (distribution of digital audio recording devices and media).

[107] *See generally* Scott L. Bach, *Music Recording, Publishing, and Compulsory Licenses: Toward A Consistent Copyright Law*, 14 HOFSTRA L. REV. 379 (1986) (criticizing the mechanical license as providing composers with inadequate control over their works and inadequate compensation for uses of their compositions in sound recordings).

[108] Unlike the statutory "mechanical" license for use of musical compositions in sound recordings, which specifies the statutory royalty that must be paid and has been amended over the years to (modestly) increase the statutory rate, see 17 U.S.C. § 115 (2012), the Copyright Act and accompanying regulations generally do not set the specific license rate that must be paid under the section 114 compulsory license. Instead, the DPRA set up a process through which rates and terms are set for specific time periods, subject to periodic adjustment at regular intervals, either by agreement of the different classes of users described under the statute or, failing agreement, by the Copyright Royalty Board, a three-judge panel housed within the U.S. Library of Congress. *Id.* §§ 801(a), (b)(1).

[109] Many recording agreements vest ownership of the resulting sound recordings in the record label, not in the recording artists who perform on those sound recordings. Section 114 is a fairly unique aspect of federal copyright law in its express grant of compensation to someone other than the registered copyright owner for uses of the copyrighted work.

This careful balancing in the drafting of statutory license provisions adopted under the DPRA is reflected both in the detailed provisions of Section 114 of the Copyright Act and in the legislative history of the statute.

A. All Along the Watchtower:[110] *Statutory Licensing Provisions of § 114*

The statutory license established by § 114 is precisely tailored to accomplish its intended purpose: to authorize qualifying, radio-like digital services that perform a variety of sound recordings selected by the service (rather than by users) to digitally perform those sound recordings without a license from the copyright owners, provided that a statutory royalty is paid to the designated collective.[111] Section 114(d) specifically sets forth the limitations on the digital public performance right in sound recordings established by the DPRA in § 106(6), including the creation of a statutory license for certain types of digital audio services[112] making non-interactive[113] public performances of sound recordings that meet specified eligi-

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110 Composed by Bob Dylan; recorded by Jimi Hendrix from January through June 1968, starting in London and completing the final master recording in New York.

111 *See* S. REP. NO. 104-128, at 16, 24 (1995). For a relatively easy to comprehend summary of the nuances of section 114's distinctions between interactive and non-interactive services and rationale for providing different rate-setting standards for different types of services, see COPYRIGHT AND THE MUSIC MARKETPLACE, *supra* note 5, at 46-52.

112 The statutory license identifies several large categories of platforms and service types that are potentially eligible for the license under 114(d)(2), including "eligible nonsubscription transmission" services (i.e., nonsubscription "webcasting"); "new subscription services" (i.e., subscription webcasting and music channels over cable and satellite television that would come into existence after 1995); "preexisting satellite digital audio radio services" or "SDARS" (i.e., today's combined service known as Sirius XM); and "preexisting subscription services" (i.e., subscription digital radio services over cable and satellite television that were in existence in 1995, such MusicChoice and Muzak). Each of these different categories of licensees may be subject to different royalty rates and conditions pursuant to the statutory license, and each may be subject to different license terms under the mechanisms set up for setting rates under the statute. *See 2015 Rates*, SOUNDEXCHANGE.COM (has links to rate schedules), http://www.soundexchange.com/service-provider/rates (last visited March 19, 2015).

113 17 U.S.C. § 114(d)(2)(i) (2012). The limitation of the compulsory statutory license to a set of carefully defined, non-interactive services that most resembled traditional terrestrial radio reflects Congress' belief that, among all of the transmission services that were available to the public at the time, interactive services were most likely to substitute for sales of CDs and records and therefore posed the greatest risk to the recording industry. *See* S. REP. NO. 104-128, at 16 (1995).

bility requirements.[114] It is a narrowly-crafted (though far from concise) provision that reflects the congressional intent to address the potential impact of new digital music services on the recording industry. The provision also reflects Congress' intent to avoid stifling technology, imposing unnecessary burdens on certain existing distribution services, or adversely affecting existing compensation mechanisms for the public performance of musical works.[115]

Sections 114(e) through (j) address at length a variety of considerations and procedures relating to the implementation of this new statutory license, including:

- the authority for direct negotiations of licenses;[116]
- a limited antitrust exemption for collective negotiations of rates and terms under the statutory license;[117]

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114 17 U.S.C. § 114(d)(2) (2012). Those eligibility requirements include that the transmission not be part of an "interactive service," *id.* § 114(d)(2)(A)(i); if technically feasible, the transmission must include "metadata" providing information such as the title and artist of the sound recording, *id.* § 114(d)(2)(A)(iii); the transmission must not exceed the "sound recording performance complement" defined in § 114(j)(13), §114(d)(2)(B)(i) & (C)(i); the transmitting entity must not pre-announce the titles of the works performed, *id.* § 114(d)(2)(B)(ii) & (C)(ii); "archived" programs available on-demand to the listener must be five or more hours in length and available for no more than two weeks, *id.* § 114(d)(2)(C)(iii); "continuous programs" must be three or more hours in length, *id.*; the transmitting entity must not perform sound recordings as part of an audio-visual work that is likely to cause confusion as to the association of the copyright owner, *id.* § 114(d)(2)(C)(iv); the transmitting entity must take reasonable measures to prevent "scanning" and "stream-ripping" by users, *id.* § 114(d)(2)(C)(v) & (vi); the sound recordings used must be "commercially released" by the copyright owner, *id.* § 114(d)(2)(C)(vii); the transmitting entity must not interfere with measures by the owners to identify and protect the copyrighted work, *id.* § 114(d)(2)(C)(viii); and the transmitting entity must textually display to the listener the song title, album title (if any), and the featured artist on the recording, *id.* § 114(d)(2)(C)(ix).

115 S. REP. NO. 104-128, at 15-16 (1995); H.R. REP. NO. 104-274, at 14 (1995).

116 17 U.S.C. § 114(e) (2012). Although this provision allows direct negotiation between copyright owners and non-interactive streaming services, it does not *require* licensees to engage in direct negotiations if they prefer to take advantage of the statutory license. This means that a licensee (i.e., a digital streaming service) is able to operate its business without engaging in direct licensing as long as it qualifies for and complies with the requirements of the statutory license, providing for a more efficient licensing system that poses less potential for interference with the growth of the medium. *See* S. REP. NO. 104-128, at 15-16 (1995); H.R. REP. NO. 104-274, at 14 (1995).

117 17 U.S.C. § 114(e) (2012). The antitrust exemption is a clear indication of how much importance Congress placed on enabling an efficient and successful statutory licensing system. Joint discussions through collective agents are

- detailed procedures for setting rates and terms for digital audio services eligible for statutory licensing;[118]
- specific instructions for how licensing proceeds are to be divided among both copyright owners and performers on sound recordings;[119]
- placing limitations on licensing to affiliated entities;[120] and
- ensuring that compensation for digital public performances of sound recordings would not adversely affect compensation for public performances of musical compositions.[121]

Overlaying the requirements for qualifying for the statutory license are a host of specific procedures and the creation of an administrative apparatus established in § 114(f) for determining rates for different types of licensees under the statutory license. The statute lays out standards to be applied when setting statutory rates and a rate-setting process that is governed by Copyright Royalty Judges ("CRJs"), an administrative decision-making tribunal under the purview of the Library of Congress.[122] Entities wishing to participate in rate-setting proceedings must file a petition to do so, but once the CRJs have set rates and terms, these rates and terms become binding on all copyright owners and services in the particular class of licensees that use the statutory license and typically cover a five-year period for each class of service.[123]

Although different standards are identified for different types of licensees, some of the factors that the CRJs are required to consider in setting digital streaming royalties for preexisting services (such as Sirius XM) under the statutory license are maximizing the availability of works to the public, affording a fair return to copyright owners and a fair income to copyright users, and minimizing any disruptive impact on the relevant industries.[124] For new subscription services and eligible nonsubscription services (such as Pandora), the CRJs are required to establish "rates and terms that most clearly represent the rates and terms that would have been negotiated in the marketplace between a willing buyer and a willing seller," considering "whether use of the service may substitute for or may promote the sales of phonorecords" and "the relative roles of the copy-

often the only practical way to negotiate rates that will apply across similar categories of licensees and to implement effective statutory licenses.

118 *Id.* § 114(f).

119 *Id.* § 114(g).

120 *Id.* § 114(h).

121 *Id.* § 114(i).

122 Copyright Royalty and Distribution Reform Act of 2004, Pub. L. No. 108-419, 118 Stat. 2341.

123 *See, e.g.*, 17 U.S.C. § 114(f)(1)(A), (B), § 114(f)(2)(A) & (B) (2012).

124 *See, e.g., id.* § 801(b)(1).

right owner and the transmitting entity in the copyrighted work and the service made available to the public with respect to relative creative contribution, technological contribution, capital investment, cost, and risk."[125] In addition, the CRJs have authority to establish notice requirements for exercising the statutory license and requirements for maintaining and delivering records — playlists or use logs — that reflect actual use of sound recordings by services taking advantage of the license.[126]

B. The Sound of Silence:[127] *Legislative History of § 114*

Nowhere in the § 114 statutory license provisions, or even in the grant of a limited digital public performance right in sound recordings in § 106(6), is there a reference to pre-1972 recordings. There is no evidence whatsoever in the legislative history of the 1995 DPRA that Congress intended to leave the states free to enact or recognize protections for digital performance rights in sound recordings that would interfere with the compulsory statutory license created for the first time in the 1995 DPRA. Instead, a close reading of the legislative history of the 1995 DPRA leads to a conclusion that the omission of express discussion of pre-1972 recordings was the result of Congress' belief (and that of the entire music industry) that no state law performance right in sound recordings existed.

The long history of arguments, studies, and reports about the performance right in sound recordings that preceded the 1995 DPRA reflects an assumption by Congress, the Copyright Office, and all interested parties from the music industry that the 1995 DPRA created a new, narrowly-defined performance right that had not existed for sound recordings under either federal or state law.[128] The provisions of § 114 and supporting analysis in the Senate and House reports were focused on establishing a streamlined compulsory license system that would both benefit performers and simplify the licensing process for digital streaming services; Congress simply did not consider the possibility that pre-1972 recordings might receive state law protection that would require individual licensing independent of the federal statutory license.

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125 *Id.* § 114(f)(2)(B). A detailed discussion of the rate-setting process and standards that apply for different types of licensees is outside the scope of this article. For an illustration of how detailed and complex these rate-setting proceedings can be, see *In re* Digital Performance Right in Sound Recordings and Ephemeral Recordings, Copyright Royalty Board, No. 2009-1 CRB, Webcasting III, Final Determination of Rates and Terms (Jan. 5, 2011, effective Mar. 9, 2011). *See generally* Andrew Stockment, *Internet Radio: The Case for a Technology Neutral Royalty Standard*, 95 VA. L. REV. 2129 (2009); COPYRIGHT IN THE MUSIC MARKETPLACE, *supra* note 5, at 143-44.

126 17 U.S.C. § 114(f)(4) (2012).

127 Composed by Paul Simon; recorded by Simon & Garfunkel in 1964.

128 *See supra* Sections I(A) and (B).

After the bills that led to the 1995 DPRA were first introduced in 1993, the parties affected by the legislation were encouraged to, and did, hold many negotiations and roundtable discussions between representatives of songwriters, performers, unions, performing rights societies, music publishers, broadcast radio, and record companies.[129] Both the Senate Report and House Report repeatedly noted the careful balance that the 1995 DPRA was striking between multiple competing interests.[130] It sought to create a narrowly-defined revenue stream for owners of (and performers in) sound recordings whose livelihood was threatened by the advent of online access to and uncompensated downloads of musical recordings.[131] Congress also sought to protect entities that were engaged in developing what has become one of the preferred sources of music listening for today's consumers — streaming services offering music to consumers in a manner similar to that of terrestrial radio. The statutory license was thus a necessary corollary to the new digital public performance right; it was necessary to streamline the licensing process for digital performances that were "radio-like" and thus were less likely to substitute for sales of recordings. The Senate Report stated,

> [T]he Committee has sought to address the concerns of record producers and performers regarding the effects that new digital technology and distribution systems might have on their core business without upsetting the longstanding business and contractual relationships among record producers and performers, music composers and publishers and broadcasters that have served all of these industries well for decades. Accordingly, the Committee has chosen to create *a carefully crafted and narrow performance right*, applicable only to *certain* digital transmissions of sound recordings.[132]

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129 *See, e.g.*, *Digital Performance Right in Sound Recordings Act of 1995 (H.R. 1506): Hearing Before the Comm. on the Judiciary, Subcomm. on Courts & Intellectual Property*, 104th Cong. (June 28, 1995) (statement of Marybeth Peters, Register of Copyrights), *available at* http://www.copyright.gov/docs/regstat062895.html (last visited July 24, 2015).

130 S. REP. NO. 104-128, at 15-16 (1995); H.R. REP. NO. 104-274, at 14 (1995).

131 Note that at the time that the 1995 DPRA was negotiated and ultimately enacted, third party online distribution sites for licensed downloads of sound recordings were still almost a decade away from being successfully launched. *See, e.g.*, Pui-Wing Tam & Anna Wilde Matthews, *Apple Polishes Its Music Service*, WALL ST. J., Apr. 14, 2003, at B1 (discussing announcement of Apple's planned online distribution site and noting that preexisting record industry sites like PressPlay and MusicNet had been criticized as "too cumbersome" and too limited in both breadth of songs offered and permitted uses of purchased songs).

132 S. REP. NO. 104-128, at 13 (1995), *quoted in and emphasis added by* Bonneville Int'l Corp. v. Peters, 347 F.3d 485, 497 (3d Cir. 2003); *see also* H.R. REP. 105-796 (Conf. Rep.) at 79-80 (stating that amendments to §§ 112 and 114 of the Copyright Act in the Digital Millennium Copyright Act were "in-

The intent of Congress to reconcile competing interests in light of changed circumstances in the music industry is a repeated theme in the legislative history:

> The limited right created by this legislation reflects changed circumstances: the commercial exploitation of new technologies in ways that may change the way prerecorded music is distributed to the consuming public. It is the Committee's intent to provide copyright holders of sound recordings with the ability to control the distribution of their product by digital transmissions, without hampering the arrival of new technologies, and without imposing new and unreasonable burdens on radio and television broadcasters, which often promote, and appear to pose no threat to, the distribution of sound recordings.[133]

The Senate Report discussed "the need to strike a balance among all of the interests affected" by the new performance right, with that balance "reflected in various limitations on the new performance right" set forth in the 1995 DPRA.[134] It further expressed the need for the legislation to address concerns about the performance right making it "economically infeasible for some transmitters to continue certain current uses of sound recordings."[135] This balancing process presumed that federal law was the only relevant legal consideration; there is no evidence that Congress factored in the possibility of additional costs on transmitters that might be imposed by owners of pre-1972 sound recordings under state law. Instead, the effects of creating a federal public performance right were measured from a blank slate — i.e., from a starting point in which no compensation was required of those who publicly performed sound recordings, because no public performance right in sound recordings had previously been given legal protection in either state or federal law and the broadcast and music industries had developed based upon that foundation.

Both the House and the Senate Report reflect the belief of Congress that a performance right in sound recordings was necessary to protect recording artists and record companies, but that the right needed to be limited to allow the public to benefit from new digital transmission technologies and to "strike a balance among all of the interests" affected by the new right.[136] Because of the anticipated continued advancement of

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tended to achieve two purposes: first, to further a stated objective of Congress when it passed the [DPRA] to ensure that recording artists and record companies will be protected as new technologies affect the ways in which their creative works are used; and second, *to create fair and efficient licensing mechanisms that address the complex issues facing copyright owners and copyright users* as a result of the rapid growth of digital audio services").

133 S. REP. NO. 104-108, at 15 (1995).

134 S. REP. NO. 104-128, at 15-16 (1995).

135 *Id.* at 16.

136 *Id.* at 14; *see also* H.R. REP. NO. 104-274, at 13 (1995).

digital transmission technology, both reports stated the intent that "both the rights and exemptions and limitations created by the bill be interpreted in order to achieve their intended purposes."[137]

Throughout the legislative history of the 1971 SRA, the 1976 Copyright Act revision, and the 1995 DPRA, the baseline presumption was that except for those uses that fell within the digital performance right under federal law, other performances of sound recordings remained in the public domain and were freely permitted without any payment obligation to the owner.[138] Reports of the Copyright Office associated with those legislative enactments demonstrate a similar understanding that, for example, broadcast radio stations could freely perform sound recordings as part of their business operations without any payment obligation.[139] Based on the compulsory statutory licensing system established by Congress in 1995, satellite and digital radio services grew and flourished, with business models relying on the absence of the need for individual licensing negotiations with sound recording owners. As will be discussed in the next section, recent cases recognizing state law performance rights in sound recordings have upset the carefully calibrated federal licensing system and interfere with one of its primary purposes: to simplify and streamline the licensing process for nation-wide streaming services.

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137 S. REP. NO. 104-128, at 14 (1995); H.R. REP. NO. 104-274, at 13 (1995).

138 *See supra* Sections I(A) and I(B). Copyright law exists not just to give legal protection to copyright owners, but also to benefit the public by providing access to creative works. *See, e.g.*, Fogerty v. Fantasy, Inc., 510 U.S. 517, 524 (1994) ("[T]the policies served by the Copyright Act are more complex, more measured, than simply maximizing the number of meritorious suits for copyright infringement," and the monopoly privileges of copyright "are limited in nature and must ultimately serve the public good"); *see also* Julie L. Ross, *A Generation of Racketeers? Eliminating Civil RICO Liability for Copyright Infringement*, 13 VAND. J. ENT. & TECH. L. 55, 111-17 (2010) ("This delicate balance between encouraging artistic creativity through a limited monopoly and promoting wide-spread public access to creative works is unique to copyright and distinguishes it from other contexts. . . ."); Julie E. Cohen, *Copyright and the Perfect Curve*, 53 VAND. L. REV. 1799, 1801 (2000) (describing the two "distinct but related" ways in which copyright law promotes progress in the arts: "it seeks to increase both the quantity and quality of creative output" and "it seeks to broaden public access to creative works").

139 *See, e.g.*, REGISTER OF COPYRIGHTS, REPORT ON COPYRIGHT IMPLICATIONS OF DIGITAL AUDIO TRANSMISSION SERVICES 142-57 (Oct. 1991) (summarizing the arguments of interested parties and the Copyright Office's views on granting performance rights to owners of sound recordings, with repeated references to broadcast radio and other entities that perform sound recordings as doing so for "free").

III. SURRENDER.[140] *THE* GOLDSTEIN *CASE AND SUPREMACY CLAUSE PREEMPTION CONSIDERATIONS IN THE CURRENT DEBATE OVER STATE LAW PERFORMANCE RIGHTS IN PRE-1972 SOUND RECORDINGS*

Preemption analysis of state laws that overlap with federal copyright law and policy is first analyzed under the express preemption provisions of § 301 of the Copyright Act.[141] However, the fact that § 301's express preemption clause does not apply to pre-1972 sound recordings does not end the inquiry about whether a particular state law that purports to grant copyright-like rights to owners of pre-1972 sound recordings is preempted by federal law. The broad language in the § 301(c) saving clause — "any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this title until February 15, 2067"[142] — might at first glance seem to end the inquiry. However, in addition to any express preemption or saving clause that Congress might incorporate into a statutory framework, the Supremacy Clause of the U.S. Constitution[143] requires that state law give way to federal law under specific circumstances, including when state laws conflict with federal law.[144]

This "conflict preemption" arises under the Supremacy Clause when a "challenged state law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"[145] Analyzing whether a conflict exists between state and federal law requires considera-

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140 Composed by Doc Pomus and Mort Shuman, recorded by Elvis Presley in 1960 and released in 1961, going on to become one of the best-selling singles in history.

141 17 U.S.C. § 301 (2012).

142 *Id.* § 301(c).

143 U.S. CONST. art. VI, cl. 2.

144 *See, e.g.*, Geier v. Am. Honda Motor Co., Inc., 529 U.S. 861 (2000); Capital Cities Cable, Inc. v. Crisp, 467 U.S. 691, 698-99 ((1984); Arizona v. United States, 132 S. Ct. 2492, 2501 (2012). The other circumstances in which Supremacy Clause preemption applies are those in which Congress has expressed a clear intent to pre-empt state law; those in which, despite the absence of express preemptive language, Congress has demonstrated an intent to displace state law by creating so pervasive a framework of regulation that it leaves no room for state action; or those in which compliance with both federal and state law is impossible. *Capital Cities Cable*, 467 U.S. at 699. *See generally* Robert R.M. Verchick & Nina Mendelson, *Preemption and Theories of Federalism*, *in* PREEMPTION CHOICE: THE THEORY, LAW, AND REALITY OF FEDERALISM'S CORE QUESTION 13, 21-22 (William W. Buzbee ed., 2009). None of those alternative Supremacy Clause preemption circumstances is argued to apply here.

145 *Capital Cities Cable*, 467 U.S. at 699 (quoting Hines v. Davidowitz, 312 U.S. 52, 67 (1941)).

tion of the purposes underlying both laws and analysis of how the specific state law at issue interacts with the specific federal law at issue.[146] The Court's analysis in upholding a state law penalizing reproduction of sound recordings in *Goldstein v. California*[147] is a helpful predicate for considering conflict preemption of state laws relating to sound recordings. However its reasoning leads to a different result when applied to the current debate over state law performance rights in pre-1972 sound recordings and how they interact with current federal law instituting a compulsory licensing regime for digital Internet and satellite radio services.

A. Happy Together:[148] Goldstein*'s Supremacy Clause Analysis*

The U.S. Supreme Court has only once addressed conflict preemption under the Supremacy Clause in the context of a state law governing sound recordings that was argued to conflict with federal copyright law. In *Goldstein*, the petitioners were charged under a California statute making it a criminal offense to "pirate" — or physically copy — phonorecords produced by others.[149] They moved to dismiss the complaint on the grounds that the statute was in conflict with Article 1, Section 8, Clause 8 of the United States Constitution and the federal statutes enacted thereunder.[150]

In addressing the Petitioners' preemption arguments, the Court first rejected the argument that all power over copyright had been ceded to the federal government by the states:

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146 *See, e.g.*, Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 480 (1979); *Arizona*, 132 S. Ct. at 2503-04.

147 412 U.S. 546 (1973).

148 Composed by Gary Bonner and Alan Gordon, recorded by The Turtles in 1967.

149 Goldstein v. California, 412 U.S. 546, 550 (1973). In addressing the Petitioners' arguments, the Court noted that Copyright Act had been amended by Congress while the case was pending in the state courts to allow federal copyright protection for sound recordings, but that section 3 of the amendment specifically provided that "such protection is to be available only to sound recordings 'fixed, published, and copyrighted' on and after February 15, 1972, and before January 1, 1975, and that nothing in Title 17, as amended is to 'be applied retroactively or [to] be construed as affecting in any way any rights with respect to sound recordings fixed before' February 15, 1972." *Id.* at 552. Because all of the recordings at issue in *Goldstein* were fixed before February 15, 1972, the Court noted that the 1971 amendments had no application in the appeal before it. *Id.* However, the opinion predates the 1976 Copyright Act's preemption and saving clauses, as well as the 1995 DPRA, and it addressed a criminal statute relating to physical copying of records — a different right in the "bundle" of exclusive rights that, unlike the public performance right, has always applied to all copyrighted works under both federal and state law.

150 *Id.* at 548-50.

> Although the Copyright Clause thus recognizes the potential benefits of a national system, it does not indicate that all writings are of national interest or that state legislation is, in all cases, unnecessary or precluded. . . . Since the subject matter to which the Copyright Clause is addressed may thus be of purely local importance and not worthy of national attention or protection, we cannot discern such an unyielding national interest as to require an inference that state power to grant copyrights has been relinquished to exclusive federal control.[151]

Noting that its conclusion that the states had not surrendered their power to issue copyrights did "not end the inquiry,"[152] the Court went on to evaluate whether the California statute was void under the Supremacy Clause.[153] It acknowledged that "the conflicts which may develop between state and federal action are as varied as the fields to which congressional action may apply,"[154] and the Court thus described its task as determining "'whether, under the circumstances of this particular case, [the state] law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"[155]

Absent evidence of a specific intent on the part of Congress to preempt state action and the particular area, the Court stated that preemption under the Supremacy Clause may still be found if "Congress so occupied the field of copyright protection as to pre-empt all comparable state action."[156] The petitioners in *Goldstein* relied heavily on the Court's opinions in *Sears*[157] and *Compco*,[158] which had previously found state laws granting patent-like protection to designs to be preempted because Congress had intended to occupy the field of patent protection. In both *Sears* and *Compco*, the Court emphasized that by excluding certain matters from federal patent protection, Congress intended that those matters be freely accessible to the public.[159] State laws that limited that free public access were thus found to be preempted. Just as the Court had found to be the case in when Congress chose to exclude certain works from federal patent protection, the petitioners argued that when Congress chose to exempt sound recordings from federal copyright protection in the 1909 Copyright Act, it intended such works to be freely available to the public for

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151 *Id.* at 558.

152 *Id.* at 561.

153 The Supremacy Clause provides that federal law "shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution of Laws of any State to the Contrary notwithstanding." U.S. CONST. art. VI, cl. 2.

154 *Goldstein*, 412 U.S. at 561.

155 *Id.* (quoting Hines v. Davidowitz, 312 U.S. 52, 67 (1941)).

156 *Id.* at 567.

157 Sears, Roebuck & Co. v. Stiffel Co., 376 U.S. 225 (1964).

158 Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964).

159 *Sears*, 376 U.S. at 230; *see Goldstein*, 412 U.S. at 569-70.

copying and that state statutes protecting such works would interfere with the balance struck by Congress between protection of authors and public access to works of authorship.[160] However, the Court distinguished *Sears* and *Compco*, noting that the patent laws at issue in those cases reflected a careful balancing by Congress of "the need to encourage innovation and originality of invention against the need to ensure competition in the sale of identical or substantially identical products."[161]

In contrast, the Court found no analogous conflict between state and federal law with respect to sound recordings, stating, "In regard to this category of 'Writings,' Congress has drawn no balance; rather, it has left the area unattended, and no reason exists why the State should not be free to act."[162] Reaffirming its decisions in *Sears* and *Compco*, the Court found that they had no application to the dispute over the legitimacy of California's statute prohibiting the copying of sound recordings "since Congress has indicated neither that it wishes to protect, nor to free from protection, recordings of musical performances fixed prior to February 15, 1972."[163]

Goldstein, however, should not be considered to be the last word on whether conflict preemption principles apply to other state laws providing protections to sound recordings that differ both in nature and in their interaction with federal copyright law enacted in the years since *Goldstein* was decided. Preemption under the Supremacy Clause is a question of how a particular state law interacts with federal law.[164] Distinct — and difficult — issues are presented regarding the intent of Congress in the series of legislative enactments since *Goldstein* and how those enactments affect the preemption analysis in the context of a new form of copyright — digital audio transmissions — that did not exist when *Goldstein* was decided.

B. Let Me Go the Right Way:[165] *Applying Supremacy Clause Preemption Analysis to State Laws Governing Digital Public Performances of Sound Recordings*

As *Goldstein* made clear, consideration of Supremacy Clause preemption requires two separate inquiries, and both are independent of any express preemption clause or saving clause in a federal statute.[166]

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160 *Goldstein*, 412 U.S. at 551.

161 *Id.* at 569.

162 *Id.* at 570.

163 *Id.* at 571.

164 *See* Arizona v. United States, 132 S. Ct. 2492, 2503-04 (2012).

165 Composed by Berry Gordy, recorded by the Supremes in 1962.

166 *Goldstein*, 412 U.S. at 571; Geier v. Am. Honda Motor Co., Inc., 529 U.S. 861 (2000); *see also Arizona*, 132 S. Ct. at 2503-04. *See generally* Sandra Zeller, *Preemption by Stealth*, 45 HOUS. L. REV. 1659 (2008-09) (discussing Su-

First, the court must consider whether the states have any power at all to regulate the particular area of law — i.e., whether such power was dedicated solely to the federal government under the Constitution or whether the states reserved the power to govern in the area.[167] In the context of intellectual property, that question has been definitively answered: "the Patent and Copyright Clauses, do not by their own force or by negative implication, deprive the States of the power to adopt rules for the promotion of intellectual creation within their own jurisdictions."[168] States remain free to "promote originality and creativity in their own domains"[169] so long as they do so in a manner that is "not inconsistent with federal law."[170] Thus, protection of copyright is not solely within the power of the federal government, but state power to govern in the area of copyright is limited.

The second step in any Supremacy Clause analysis, if it is determined that states do have the power to act in the area, is to determine whether there is any conflict between the particular state law and federal law in question.[171] "Conflict preemption" arises under the Supremacy Clause either when compliance with both state and federal law is physically impossible or when a "challenged state law 'stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'"[172] Where federal intellectual property law has struck a careful balance between the need to promote creativity and the efficient operation of the federal system of protection designed by Congress, "state regulation of intellectual property must yield to the extent that it clashes with

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preme Court treatment of saving clauses and preemption in the context of federal regulation of the environment, labor and employment law, products liability, and agricultural practices).

167 *Goldstein*, 412 U.S. at 552-61; Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 165-66 (1989); Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 478-79 (1979).

168 *Bonito Boats*, 489 U.S. at 165 (citing *Goldstein*, 412 U.S. at 552-61).

169 *Id.*

170 Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262 (1979); *Bonito Boats*, 489 U.S. at 156.

171 *Goldstein*, 412 U.S. at 561-62; *Kewanee Oil Corp.*, 416 U.S. at 479.

172 *Goldstein*, 412 U.S. at 561-62 (quoting Hines v. Davidowitz, 312 U.S. 52, 67 (1941)). *See generally* Mary J. Davis, *On Preemption, Congressional Intent, and Conflict of Laws*, 66 U. PITT. L. REV. 181, 198-201 (2004-05) (explaining that "obstacle" conflict preemption evaluates congressional purposes for the legislation or regulation at issue rather than congressional intent to preempt and generally arguing that the Supreme Court has implicitly adopted an approach to Supremacy Clause preemption that mirrors government interest analysis in choice of law determinations).

the balance struck by Congress. . . ."[173] In *Goldstein*, the Court found that no such obstacle existed because the California law in question — one criminalizing unauthorized reproduction of records — provided protection that was not in conflict with federal copyright law or policy, as Congress at the time had expressed no interest in either protecting pre-1972 sound recordings or freeing them from protection.[174] However, the Court's reasoning in *Goldstein* cannot be mechanically applied to all state laws that arguably apply to pre-1972 sound recordings. The specific state law in question must be evaluated in light of current federal law and policy, examining the objectives of both areas of law to determine whether the state law clashes with federal law and whether a saving clause precludes preemption in spite of the particular conflict that might be found.[175]

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[173] *Bonito Boats*, 489 U.S. at 152 (recognizing careful balance in federal patent laws between need to promote innovation and the ability to exploit inventive resources and applying conflict preemption to invalidate Florida statute prohibiting use of a direct molding process to duplicate unpatented boat hulls because the statute conflicted with a strong federal policy favoring free competition in ideas not qualifying for patent protection).

[174] *Goldstein*, 412 U.S. at 569, 571.

[175] Arizona v. United States, 132 S. Ct. 2492, 2503-04 (2012); *see also* Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470, 480 (1979); Geier v. Am. Honda Motor Co., Inc., 529 U.S. 861, 868 (2000). Professor Pulsinelli has also engaged in a conflict preemption analysis regarding state and federal laws governing public performances of sound recordings, in an article published just as this one was submitted for publication. Gary Pulsinelli, *Happy Together? The Uneasy Coexistence of Federal and State Protection for Sound Recordings*, 82 TENN. L. REV. 167 (2014). Professor Pulsinelli agrees that state law recognition of a public performance right in sound recordings presents a conflict preemption problem, focusing primarily on the interests in uniformity underlying federal copyright law and the lack of a local, state interest in nation-wide digital transmissions that might outweigh the federal interest in uniformity. *Id.* at 208-17. This article views conflict preemption through a narrower lens, focusing on specific conflicts created by applying state law to transmissions covered by the federal compulsory licensing system rather than all forms of digital transmissions. Because Congress was willing to tolerate some lack of uniformity in law regarding sound recordings when it opted to exclude pre-1972 sound recordings from federal protection and to preserve state law protections for those recordings, the general federal interest in uniformity of copyright law by itself may not provide sufficient basis for preempting state laws — at least not without considering the language and purposes of a particular federal statutory provision. The necessity of uniformity in a particular area of law is certainly an important policy consideration in preemption analysis. *See, e.g.*, Verchick & Mendelson, *supra* note 144, at 32 (explaining that the "basic values at stake in the preemption debate" are "a concern for local democracy and state experimentation, on one side, and a desire for national uniformity and efficiency on the other"). Professor Pulsinelli persuasively distinguishes *Goldstein* based on changes in the music industry wrought by technological development over

1. I Walk the Line:[176] *Analyzing the Objectives of the State and Federal Laws at Issue*

The application of conflict preemption principles in this situation — where Congress has stepped in with a comprehensive federal program after courts had previously ruled that state laws were not preempted — is implicated by the Supreme Court's analysis in *Arizona v. United States*.[177] There, the Court considered whether four separate provisions of an Arizona statute aimed at addressing the problem of illegal immigration were preempted under the Supremacy Clause.[178] Noting the "extensive and complex" federal governance of immigration and alien status,[179] the Court deemed it necessary to review each of the four provisions to determine how the particular provision — not the law as a whole — interacted with federal immigration laws to evaluate whether preemption applied to the specific provision.[180]

Of particular relevance here is the Court's discussion of section 5(C) of the Arizona law, which made it a misdemeanor for unauthorized aliens to "apply for work, solicit work in a public place, or perform work as an employee or independent contractor" in Arizona.[181] Before there had been any "comprehensive federal program regulating the employment of unauthorized aliens,"[182] the Court had upheld a California statute regulating employment of aliens against a preemption challenge, finding that "States possess broad authority under their police powers to regulate the employment relationship to protect workers within the State."[183] However, at the time, "the Federal Government had expressed no more than 'a peripheral concern with [the] employment of illegal entrants.'"[184] In *Arizona*, the Court found that because federal law had changed and a comprehensive framework relating to employment of illegal aliens had been

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the decades since the 1976 Act and the resulting changed balance between federal and state interests in protecting copyright that weakens the "local democracy" and "state experimentation" side of the equation in preemption analysis of sound recording rights. However, this article focuses more specifically on the objectives of the federal compulsory license system for digital audio transmissions reflected in the structure of section 114 and its legislative history than on the overarching interest in national uniformity within the federal Copyright Act.

176 Composed by Johnny Cash and recorded by Johnny Cash in 1956.

177 132 S. Ct. 2492 (2012).

178 *Id.* at 2497.

179 *Id.* at 2499.

180 *Id.* at 2501-02.

181 *Id.* at 2503.

182 *Id.*

183 *Id.* (citing De Canas v. Bica, 424 U.S. 351, 356 (1976)).

184 *Id.* (quoting *De Canas*, 424 U.S. at 360).

put into place, with a deliberate choice by Congress to not impose criminal penalties on aliens who seek to work in the U.S., the Arizona law "would interfere with the careful balance struck by Congress."[185]

As *Goldstein* recognized and as § 301(c) confirms, the states possess broad authority to protect pre-1972 sound recordings. However, just as the states' interest in regulating employment in *Arizona* did not outweigh a subsequently-enacted federal regime when specific state laws interfered with its ability to accomplish its objectives, neither should states' continuing interests in and power to protect pre-1972 recordings be permitted to interfere with the goals and objectives of the national compulsory licensing regime enacted by Congress for digital performances of sound recordings.[186]

The Supreme Court had the opportunity to evaluate a conflict between the objectives of state and federal law similar to the one at issue here in *Capital Cities Cable, Inc. v. Crisp*.[187] In *Capital Cities Cable, Inc.*, the federal regulation of cable television by the F.C.C. and comprehensive compulsory copyright licensing system for retransmissions of copyrighted broadcasts over cable television were found to preempt an Oklahoma statute that prohibited broadcasts of advertisements for alcoholic beverages.[188] In analyzing the conflict between the Oklahoma statute and the

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185 *Id.* at 2504-05. The Court also found that the existence of an express preemption provision in the relevant federal statute had no affect on the Supremacy Clause preemption analysis, in spite of the fact that the preemption provision barred states from penalizing employers of unauthorized aliens but was silent about whether states could penalize the employees themselves. *Id.*

186 The fact that states are given broad authority over pre-1972 sound recordings is not inconsistent with this result. In preempting a Virginia law that purported to allow a surviving spouse to receive federal life insurance benefits from an insured who had listed an ex-spouse as the designated beneficiary, the Supreme Court noted that even though "regulation of domestic relations is traditionally in the domain of state law" and thus that there is a "'presumption against pre-emption' of state laws governing domestic relations," state domestic relations laws must still give way when they present a clear conflict with federal law. Hillman v. Maretta, 133 S. Ct. 1943, 1950 (2013). Similarly, the 1995 DPRA does not supplant all state law protections for pre-1972 sound recordings — only those that are in conflict with the limits it placed on digital public performance rights in order to establish a national statutory license regime.

187 467 U.S. 691 (1984).

188 *Id.* at 716. In addressing the conflict between F.C.C. regulations requiring that cable systems carry certain broadcast programming without changing it and the state statute's requirement that cable services in Oklahoma remove alcoholic beverage advertisements from that programming, the Court discussed the history of F.C.C. regulation of cable systems, noting that the F.C.C. expressly adopted "a program of 'deliberately structured dualism' in

purposes and goals of the provisions of the Copyright Act relating to the statutory license for cable television retransmissions of copyrighted works, the Court stated:

> Congress has considered the impact of this new technology, and has, through the Copyright Revision Act of 1976, 90 Stat. 2541, 17 U.S.C. § 101 et seq., acted to facilitate the cable industry's ability to distribute broadcast programming on a national basis. . . . In revising the Copyright Act, however, Congress concluded that cable operators should be required to pay royalties to owners of copyrighted programs retransmitted by their systems on pain of liability for copyright infringement. At the same time, Congress recognized that "it would be impractical and unduly burdensome to require every cable system to negotiate [appropriate royalty payments] with every copyright owner" in order to secure consent for such retransmissions. Copyright Law Revision, H.R. Rep. No. 94-1476, p. 89 (1976). Section 111 of the 1976 Act codifies the solution devised by Congress. It establishes a program of compulsory copyright licensing that permits cable systems to retransmit distant broadcast signals without securing permission from the copyright owner and, in turn, requires each system to pay royalty fees to a central royalty fund based on a percentage of its gross revenues.[189]

The Court also noted that the compulsory licensing system devised by Congress included specific requirements for cable systems to take advantage of the protections afforded by the statutory license[190] and Congress' recognition of the "virtually insurmountable and logistical problems" that cable operators would face if they were required to edit or block programs

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which state and local authorities were given responsibility for granting franchises to cable operators within their communities and for overseeing such local incidents of cable operations as delineating franchise areas, regulating the construction of cable facilities, and maintaining rights of way." *Id.* at 702 (quoting Cable Television Report and Order, 36 F.C.C.2d 143, 207 (1972), *aff'd sub nom.*, Am. Civil Liberties Union v. Fed. Commc'ns Comm., 523 F.2d 1344 (9th Cir. 1975)). In a series of rulings, later upheld by the courts, the F.C.C. delineated the scope of federal regulation of cable services, specifically precluding states from regulating rates or signal carriage for cable systems. *Id.* at 702-03. The federal interests justifying such exclusive federal control over aspects of cable systems were the need to "assure the orderly development of this new technology into the national communications structure," *id.* at 703 n.8 (quoting Duplicative and Excessive Over-Regulation-CATV, 54 F.C.C.2d 855, 863 (1975)), and providing increased viewing options and a diversity of services to the public. *Id.* at 704 (citing CATV Syndicated Program Exclusivity Rules, 79 F.C.C.2d 663, 746 (1980). Similar federal interests govern the establishment of a federal licensing system for Internet and satellite radio, both of which are inherently national in scope and, at the time that the 1995 DPRA was enacted, were emerging technologies that Congress did not want to suppress when it granted a limited public performance right.

189 *Id.* at 709-10 (footnote omitted).

190 *Id.* at 710.

as to which they were unable to obtain direct copyright permissions from the owners.[191] The Court stated:

> In devising this system, Congress has clearly sought to further the important public purposes framed in the Copyright Clause, U.S. Const., Art. 1, § 8, of rewarding the creators of copyrighted works and of "promoting broad public availability of literature, music, and the other arts." Compulsory licensing not only protects the commercial value of copyrighted works but also enhances the ability of cable systems to retransmit such programs carried on television broadcast signals. By requiring cable operators to delete commercial advertisements for wine, however, the Oklahoma ban forces these operators to lose the protections of compulsory licensing. Of course, it is possible for cable systems to comply with the Oklahoma ban by simply abandoning their importation of the distant broadcast signals covered by the Copyright Act. But such a loss of viewing options would plainly thwart the policy identified by both Congress and the FCC of facilitating and encouraging the importation of distant broadcast signals.[192]

Similar concerns led to the compulsory licensing system for digital radio services: obtaining the rights to broadcast a full range of sound recordings to support an online or satellite radio service would have created an insurmountable obstacle for fledgling digital radio services, particularly in light of the fact that they were competing with terrestrial radio, which the 1995 DPRA expressly exempted from any licensing or royalty obligation.[193] If states were permitted to require separate licenses for use of pre-1972

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[191] *Id.* n.13.

[192] *Id.* at 710-11 (quoting Twentieth Century Music Corp. v. Aiken, 422 U.S. 151, 156 (1975) and citing Sony Corp. v. Universal City Studios, Inc., 464 U.S. 417, 428-29 (1984)).

[193] Although Congress did not want to place the burden of negotiating individual licenses on non-interactive digital transmission services that provided radio-like services, interactive services that did not qualify for the statutory license were expected to go through that process. For example, Spotify, a primarily on-demand Swedish streaming service that is gaining in popularity in the United States, delayed its launch into the United States market for almost two years while it negotiated licenses with all of the major labels. *See, e.g.*, Ben Sisario, *New Service Offers Service in Quantity, Not by Song*, N.Y. TIMES, July 14, 2011, at B1, *available at* http://www.nytimes.com/2011/07/14/technology/spotify-music-streaming-service-comes-to-us.html?_r=0. In 2014, recording artist Taylor Swift made headlines when she refused to license her new album to Spotify and pulled all but one of her existing songs from the service, contending that Spotify was not offering high enough license fees in the per-stream rate it offered. *See* Jack Linshi, *Here's Why Taylor Swift Pulled Her Music from Spotify*, TIME (Nov. 3, 2014), http://time.com/3554468/why-taylor-swift-spotify. Interactive streaming services like Spotify that do not qualify for the section 114 statutory license are thus at the mercy of individual recording owners who are free to withhold their music, whereas the compulsory license created by Congress for non-interactive streaming services was designed to make all recordings available to

works on Internet and satellite radio services, these services would likely end up limiting the availability of pre-1972 sound recordings on their stations, a result that benefits neither the public nor owners of pre-1972 recordings.

Although *Capital Cities Cable, Inc.* involved a situation where the F.C.C. had precisely delineated the scope of permitted state regulation of cable services and the Oklahoma statute went beyond those limits,[194] there the state had perhaps a stronger argument for its authority than that presented by the saving clause in § 301(c). Oklahoma relied on the Twenty-First Amendment in asserting that the Constitution had relegated regulation of alcoholic beverages to the states, but the Court, weighing the strength of the interests underlying the Twenty-First Amendment and those underlying the compulsory licensing provisions of the Copyright Act, concluded that the federal interest in the uniform application of the compulsory license and F.C.C. regulations governing carriage of cable signals trumped the state's interest in regulating alcohol.[195] The regulation of television advertisements for alcohol was only a small aspect of the state's ability to regulate alcohol in its territory that had not previously been applied to cable services, and thus the impact of preemption was minimal on the state's overall regulation of alcohol.[196] Similarly, in the context of the digital public performance right in sound recordings, the states have not previously recognized or protected such a right, and federal preemption of that right would have no impact on the state's ability to protect other uses of pre-1972 sound recordings that implicate different rights in the bundle of protections offered to copyright owners of sound recordings.

2. Saved:[197] *The § 301(c) Saving Clause Does Not Preclude Supremacy Clause Preemption*

The presence of an express statutory preemption provision and saving clause for state laws governing pre-1972 sound recordings[198] presents a separate interpretive hurdle in the preemption analysis, but it does not necessarily preclude the application of ordinary conflict preemption principles.[199] Yet, Sirius XM did not argue and neither federal court in the *Flo*

those non-interactive services without the need to negotiate individual licenses.

194 *Capital Cities Cable*, 467 U.S. at 711.

195 *Id.* at 715-16.

196 *Id.*

197 Composed by Jerry Leiber and Mike Stoller; recorded by Lavern Baker in 1961.

198 17 U.S.C. § 301 (2012).

199 *See, e.g.*, Geier v. Am. Honda Motor Co., Inc., 529 U.S. 861 (2000).

& Eddie cases addressed whether the Supremacy Clause preempted the state law rights asserted by the plaintiff.[200] The California district court's sole discussion of preemption was a brief mention of the express preemption provision the Copyright Act in concluding that, pursuant to § 301(c), "the Federal Copyright Act does not apply to [pre-1972] recordings and explicitly allows states to continue to regulate them."[201] However, this conclusion should only have been the start of any consideration of whether the state laws at issue would be preempted by federal copyright law, not the end of it; it does not answer the question of whether the Supremacy Clause precludes enforcement of state law in connection with specific types of digital performances of sound recordings.[202]

The New York court in the Flo & Eddie litigation went a step further than the California court, more closely analyzing § 301(c) and its interaction with the Commerce Clause.[203] The Southern District of New York

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200 Instead, Sirius relied on the dormant Commerce Clause, asserting that applying state laws protecting public performance rights to its satellite broadcasting activities would control commerce outside any individual state's borders and thus would run afoul of the Commerce Clause. *See, e.g.*, Defendant's Memorandum of Points and Authorities in Opposition to Plaintiff's Motion for Summary Judgment at 20-22, No. CV 13-5693 (C.D. Cal. July 7, 2014); Defendant Sirius XM's Motion for Summary Judgment on Liability and Supporting Memorandum of Law at 18-20, No. 1:13-CV-23182 (S.D. Fla. July 15, 2014). In both briefs, Sirius XM argued that allowing owners of pre-1972 sound recordings to assert state law-based digital performance rights would interfere with the elaborate compulsory licensing system established by the DRPA in 1995, but presented that argument as a policy reason for refusing to find a state law right rather than as a reason for Supremacy Clause preemption.

201 Flo & Eddie, Inc. v. Sirius XM Radio, Inc., 112 U.S.P.Q.2d 1307, 1311 (C.D. Cal. 2014) (citing 17 U.S.C. § 301(c)). In a footnote, the court briefly addressed and rejected Sirius XM's dormant Commerce Clause argument, asserting: "Because Congress specifically authorized protection of pre-1972 sound recording rights by the states in 17 U.S.C. § 301(c), the California statute protecting those rights is not subject to the Commerce Clause." *Id.* at 1315 n.1. Professor Gary Pulsinelli has argued that the dormant Commerce Clause preempts a proposed Tennessee statute giving state law protections to public performances of sound recordings, as well as the state laws at issue in the Flo & Eddie litigation. Pulsinelli, *supra* note 175, at 217-34. This article takes no position on the dormant Commerce Clause argument, other than to assert that Supremacy Clause preemption is a stronger basis on which to invalidate the state law claims at issue. *See, e.g.*, Viet D. Dinh, *Reassessing the Law of Preemption,* 88 GEO. L.J. 2085, 2098 & Fig. 1 (2000) (discussing and illustrating the spectrum of doctrinal mechanisms through which federal law displaces state law).

202 *See* Goldstein v. California, 412 U.S. 546, 571; Arizona v. United States, 132 S. Ct. 2504-05 (2012).

203 Flo & Eddie, Inc. v. Sirius XM Radio, Inc., No. 13 Civ. 5784, 2014 WL 7172270, at *21 (S.D.N.Y. Nov. 14, 2014).

Flo & Eddie opinion addressed the language of § 301(c) in the context of whether it demonstrated an intent by Congress to preclude Commerce Clause challenges to assertion of state law rights in pre-1972 recordings.[204] However, its reasoning applies equally in the context of conflict preemption under the Supremacy Clause. The court stated:

> I note that § 301(c) is contained in the section of the federal copyright law that addresses the law's preemptive scope. Thus, the language cited by Flo and Eddie could plausibly be interpreted, not to allow states to impose otherwise unconstitutional burdens on interstate commerce, but only to limit the scope of federal copyright law — by excluding, for a period of time, otherwise preempted state laws from the preemptive reach of 17 U.S.C. § 301(a). Under this interpretation, although § 301(c) broadly reaches "any" state right or remedy, it shields state regulation only from statutory preemption, not from Commerce Clause scrutiny.[205]

Finding it reasonable to interpret § 301(c) "as a provision about federal statutory preemption, and not as an authorization for states to interfere with interstate commerce," the court rejected Flo & Eddie's assertion that the use of the term "any" in § 301(c) demonstrated an intent by Congress to permit "all" state laws regulating pre-1972 recordings.[206] The Copyright Office has also agreed with the proposition that "section 301(c) does not prohibit all subsequent [federal] regulation of pre-1972 recordings."[207]

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204 *Id.*

205 *Id.*

206 *Id.* at *22. The court went on, however, to reject Sirius XM's argument based on the dormant Commerce Clause because it concluded that New York common law on copyright "does not 'regulate' anything," but is simply a recognition of a property right. *Id.* at *22-23.

207 COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS, *supra* note 6, at 131 (quoting Capitol Records, Inc. v. MP3Tunes LLC, 821 F. Supp. 2d 627, 641 (S.D.N.Y. 2011), but disagreeing with that opinion's ultimate conclusion that 17 U.S.C. § 512 "safe harbors" applied to pre-1972 sound recordings). Moreover, the Copyright Office has suggested that even though § 301(c) was never amended after the Uruguay Round Agreement Act was passed in 1994, bringing foreign pre-1972 sound recordings under federal copyright protection, under the reasoning of *Goldstein*, an argument could be successfully made that Congress has no longer left the question of protection for restored foreign recordings "unattended," and thus conflicting state laws are preempted. *Id.* at 19. In the Ringer Report, *supra* note 30, at 19-20, the Copyright Office discussed *Goldstein* at length, describing it as "surprising" in light of the *Sears/Compco* decisions but reasoning that the Court was distinguishing between situations in which state law "may possibly" lead to conflicts with federal laws and those in which conflicts will necessarily arise. Focusing on sound recordings fixed between 1972 and 1978, as to which it was unclear whether any state law performance rights could be applied, the Copyright Office Report reasoned that state law performance rights in post-1978 sound recordings would be clearly preempted, and that any state law performance rights in pre-1972 recordings were expressly preserved, but

Similar reasoning applies in the context of conflict preemption under the Supremacy Clause. The language of § 301(c) is intended to, and clearly does, exempt state laws governing pre-1972 sound recordings from statutory preemption under § 301(a). What it does not do is preclude any consideration or analysis of whether a specific state law conflicts with the goals and purposes of a specific aspect of federal copyright law under the Supremacy Clause of the United States Constitution. Even though § 301(c) serves as a "saving clause" with respect to *statutory* preemption of state laws governing pre-1972 recordings, it is no different from saving clauses in other federal statutes that have failed to limit the application of ordinary conflict preemption principles under the Supremacy Clause.[208]

For example, in *Geier v. American Honda Motor Co., Inc.*,[209] the Court found that a saving clause in the express preemption provision of the National Traffic and Motor Vehicle Safety Act of 1966[210] did not preclude consideration of ordinary conflict preemption principles. The saving clause at issue in *Geier* stated that "[c]ompliance with" a federal safety standard "does not exempt any person from any liability under common law,"[211] thus mirroring the "any rights or remedies" language of § 301(c). The Court found that "the savings clause (like the express pre-emption provision) does *not* bar the ordinary working of conflict pre-emption principles,"[212] noting that "this Court has repeatedly 'decline[d] to give broad effect to saving clauses where doing so would upset the careful regulatory scheme established by federal law.' "[213]

Although § 301(c) must be interpreted to preserve some aspects of state law protecting pre-1972 sound recordings, it cannot be that the language of § 301(c) serves as a blanket grant of authority in perpetuity — or

that state law performance rights in 1972–78 sound recordings could be preempted under the reasoning of *Sears/Compco* and *Goldstein* if the particular state law were found to conflict with federal policy. *Id.* at 20. This reasoning is not inconsistent with the position taken in this article, as it was premised upon the fact that, in 1978, Congress had elected to provide no federal performance right in sound recordings, *id.*, and thus there was no basis for considering whether state law protection of performance rights in pre-1972 sound recordings would necessarily conflict with federal copyright law. After 1995, with the comprehensive statutory licensing system that was established for digital performance rights in sound recordings, such a conflict became real and requires a revisiting of any conclusions reached before federal law had granted any protection or created a comprehensive compulsory licensing system for digital performance rights.

208 *See, e.g.*, Geier v. Am. Honda Motor Co., Inc., 529 U.S. 861 (2000).

209 *Id.*

210 Pub. L. No. 89-563, 80 Stat. 718 (currently codified at 15 U.S.C. § 1391–1431).

211 *Geier*, 529 U.S. at 868 (quoting 15 U.S.C. § 1397(k) (1988 ed.)).

212 *Id.* at 869.

213 *Id.* at 870 (quoting United States v. Locke, 529 U.S. 89, 106-07 (2000)).

at least until 2067 — for states to pass any laws that they see fit or to interpret their common law to grant new property rights with respect to pre-1972 sound recordings, regardless of how those laws might conflict with any subsequent federal copyright legislation. Like the saving clause in *Geier*, it expresses no congressional intent to foreclose the application of ordinary conflict preemption principles, but merely limits the scope of the statutory preemption provision. As the Court reasoned in *Geier*:

> Why, in any event, would Congress not have wanted ordinary pre-emption principles to apply where an actual conflict with a federal objective is at stake? Some such principle is needed. In its absence, state law could impose legal duties that would conflict directly with federal regulatory mandates. . . . Insofar as petitioner's argument would permit common-law actions that "actually conflict" with federal regulations, it would take from those who would enforce a federal law the very ability to achieve the law's congressionally-mandated objectives that the Constitution, through the operation of ordinary pre-emption principles, seeks to protect. To the extent that such an interpretation of the saving provision reads into a particular federal law toleration of a conflict that those principles would otherwise forbid, it permits that law to defeat its own objectives, or potentially, as the Court has put it before, to "destroy itself."[214]

Similarly, § 301(c) simply limits the scope of the statutory preemption of state law protections provided for in § 301(a); it does not hamper Congress' ability to subsequently limit state law protections, as it may do in the ongoing copyright revision process,[215] nor does it hamper the courts' abil-

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[214] *Geier*, 529 U.S. at 871-72 (quoting Am. Tel. & Tel. Co. v. Cent. Office Tel., Inc., 524 U.S. 214, 228 (1998)). This purposive approach to the statutory interpretation of saving clauses is particularly appropriate in situations in which a broadly-interpreted saving clause in federal legislation poses an obstacle to the goals of a separate piece of federal legislation. *See, e.g.*, Donald G. Gifford, William L. Reynolds & Andrew M. Murad, *A Case Study in the Superiority of the Purposive Approach to Statutory Interpretation:* Bruesewitz v. Wyeth, 64 S.C. L. REV. 221 (2012); Christopher H. Schroeder, *Supreme Court Preemption Doctrine, in* PREEMPTION CHOICE: THE THEORY, LAW, AND REALITY OF FEDERALISM'S CORE QUESTION 119, 120-21, 135 (William W. Buzbee ed., 2009) (identifying the "crucial question" in preemption analysis as "how to interpret the content of the federal law," which "depends on congressional intent," and comparing preemption cases in which the Supreme Court has relied extensively on legislative history and findings to evaluate congressional intent).

[215] *See, e.g., Congressional Hearings on the Review of Copyright Law*, COPYRIGHT .GOV, http://copyright.gov/laws/hearings/ (last visited Apr. 13, 2015). That § 301(c) does not limit the ability of subsequently-enacted federal copyright provisions to affect state laws governing pre-1972 sound recordings is consistent with the 2011 Copyright Office *Report on Federal Copyright Protections for Pre-1972 Sound Recordings*, in which the Copyright Office recommended that pre-1972 sound recordings be brought under the federal copyright regime. COPYRIGHT PROTECTION FOR PRE-1972 SOUND RE-

ity to find conflict preemption under the Supremacy Clause if state laws conflict with federal law as it evolves.[216]

The Supreme Court has also rejected a contention that the presence of an express statutory preemption provision and saving clause "create[s] some kind of 'special burden' beyond that inherent in ordinary pre-emption principles."[217] However, even if the express recognition of states' ability to protect pre-1972 sound recordings in § 301(c) does require a higher burden in making a case for Supremacy Clause preemption,[218] this burden very likely would be met here. This is not a situation like that noted by the Court in *Bonito Boats*, where the case for federal preemption is weakened because "Congress has indicated its awareness of the operation of state law in the field of federal interest, and has nonetheless decided to 'stand by both concepts and to tolerate whatever tension there [is] between them.'"[219] Although Congress was clearly aware of state law protections against unauthorized reproduction and distribution of sound recordings at the time that both the Sound Recording Act of 1971 and the Copyright Act of 1976 were enacted,[220] the same cannot be said for the

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CORDINGS, *supra* note 6, at 175-78. The Report was issued pursuant to the request by Congress that the Copyright Office conduct such a study in the Omnibus Appropriations Act of 2009, H.R. 1105, Pub. L. No. 111–8.

216 *Geier*, 529 U.S. at 869-74; *see also* Arizona v. United States, 132 S. Ct. 2492, 2503-04 (2012).

217 *Geier*, 529 U.S. at 870 (quoting Justice Stevens' dissenting opinion, 529 U.S. at 898-99). Some scholars have criticized the Court's backing away from a presumption against preemption where a saving clause exists, but that criticism is largely focused on regulatory contexts in which state experimentation is encouraged and serves as a complement to the federal regulatory regime. *See, e.g.*, Zeller, *supra* note 166, at 1668, 1674-79 (criticizing recent Supreme Court cases as failing to apply a presumption against preemption in saving clause cases and stating, "[w]here Congress includes a savings clause, it recognizes the need either to fill a regulatory void left by federal law or to enhance protection for affected communities through complementary federal and state authorities"). Other scholars have argued that no presumption against preemption exists, but instead that preemption determinations are highly context-specific, requiring "careful application of different interpretive assumptions and substantive principles in specific contexts to determine whether state laws are displaced — in many cases by congressional enactments, but in others by judicial doctrines absent any affirmative action by Congress." Dinh, *supra* note 201 at 2087, 2092.

218 *See* Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 166-67 (1989).

219 *Id.* (quoting Silkwood v. Kerr-McGee Corp, 464 U.S. 238, 256 (1984)).

220 *See, e.g.*, S. REP. NO. 92-72, at 3-4 (1971) (discussing "widespread unauthorized reproduction of phonograph records and tapes," noting statutes enacted in New York and California to suppress record piracy, but emphasizing the limited relief available under state law in support of the need for federal copyright protection of sound recordings); H.R. REP. NO. 92-487, at 2-3

existence of any state law protection for performance rights in sound recordings.[221]

3. Let It Be Me:[222] *Preemption of State Digital Public Performance Rights that Conflict with the Federal Compulsory License*

As discussed in Part II, *supra*, one of the main purposes of Congress in establishing the compulsory statutory license for digital performances by radio-like services was to create an efficient licensing mechanism for a narrow class of qualifying digital streaming services.[223] Allowing owners of pre-1972 works to assert state law digital public performance rights directly conflicts with the purposes and objectives of this compulsory license, because it requires digital streaming services that qualify for the federal

(1971) (noting that eight states had enacted statutes protecting against unauthorized reproduction of sound recordings and citing limited nature of remedies available under state law as justification for federal copyright protection of sound recordings); S. REP. No. 104-128, at 10-13 (discussing history of efforts to gain federal protection for sound recordings).

221 *See supra* Parts I(A) and I(B). Just as the Florida statute in *Bonito Boats* went beyond any existing state law protections that Congress recognized as being in "tolerable" tension with federal patent law, *Bonito Boats*, 489 U.S. at 167, here any newly-recognized state law protections for digital performances of sound recordings extend beyond the state law protections for reproduction and distribution rights in sound recordings that existed in 1976 and that Congress had in mind when it added § 301(c). Thus, § 301(c) creates no presumption that Congress encouraged enforcement of state laws that actually conflict with subsequent federal copyright policy and objectives regarding digital performance rights in sound recordings.

222 Composed by Gilbert Becaud, Manny Curtis, and Pierre Delanoe; recorded by the Everly Brothers in 1960.

223 The detailed statutory contours of the § 114 digital performance right and the requirements for the statutory license on their face reflect this purpose, setting up a narrow class of transmissions that would qualify for the license and an administrative process for establishing fee structures for the license. The legislative history leading up to enactment of the 1995 DPRA also reflects this purpose. *See* S. REP. No. 104-128, at 15-16 (1995); H.R. REP. No. 104-274, at 14 (1995). Within copyright jurisprudence, it is common for the courts to look to the legislative history of the particular provisions of the Copyright Act to aid in interpretation of the statutory language. *See, e.g.*, Am. Broad. Cos., Inc. v. Aereo, Inc., 134 S. Ct. 2498 (2014) (relying heavily on the legislative history of amendments to the Copyright Act that addressed transmissions of audiovisual works to interpret statutory language); Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994) (considering the legislative history of the attorneys' fee provision in 17 U.S.C. § 505 in determining whether prevailing defendants should be considered differently from prevailing plaintiffs in awarding fees to the prevailing party in copyright infringement cases).

compulsory license to separately negotiate licenses with individual owners of pre-1972 sound recordings based on a patchwork of differing state laws, for performances that are not specific to any one state but that are available everywhere that a satellite radio or Internet connection exists. Congress was willing to impose the burden of individual licensing on providers of interactive digital transmissions because those transmissions were most likely to deprive copyright owners of revenues from sales. However, Congress was not willing to impose individual licensing burdens on services that mimicked terrestrial radio, instead creating the compulsory license to reduce transaction costs on services that would be competing with broadcast radio but paying the statutory license for the newly-created public performance right.[224]

Digital public performance rights are thus a narrow category of rights in sound recordings to which individual states cannot claim a localized interest in regulating that could outweigh the federal interest in an efficient licensing mechanism for digital streaming services. Laws governing digital public performance rights are distinct from those addressing the unauthorized physical reproduction of recordings like that analyzed in *Goldstein*, in part because laws prohibiting physical copying can be limited in their effect to the boundaries of the particular state without unduly impacting the freedom of other states to allow free access to the same works.[225] No such limitation exists for state laws governing digital streaming; to prohibit a stream in one state means to prohibit it in all states, even those that do not recognize performance rights in sound recordings.[226] And digital streaming has an even broader reach than the radio broadcasts of sound recordings addressed in *Whiteman*.[227] Thus, the problem noted by Judge Hand of limiting the broadcast of recordings to multiple states solely to avoid violation of one state's law[228] would be magnified many times over,

224 *See* S. REP. NO. 104-128, at 15-16 (1995); H.R. REP. NO. 104-274, at 14 (1995).

225 412 U.S. at 558. Although this reasoning could be argued to be inapplicable to digital sales through services like iTunes, an analysis of the local interest in such online activities by individual states is outside of the scope of this article. For a more in-depth discussion of local versus national interests in this context, see Pulsinelli, *supra* note 175, at 208-17.

226 This is analogous to the concern expressed in *Capital Cities Cable, Inc. v. Crisp*, 467 U.S. 691, 711 (1984), where cable operators were forced with the choice of either complying with state law but losing the benefits of the compulsory license or refusing to carry programming that was only banned in Oklahoma. In fact, it represents a greater overreaching by the states, in that the cable services at issue in *Capital Cities Cable, Inc.* were locally-licensed franchises that specifically broadcast to Oklahoma residents, but Internet and satellite radio services are not localized in any one state but are broadcasting everywhere at once.

227 114 F.2d at 88.

228 *Id.*

with streaming services forced to comply with the most restrictive state laws despite the fact that their streams reach all jurisdictions simultaneously.

The benefits of a uniform, nation-wide, efficient system envisioned by Congress in specifying services that would qualify for the compulsory license would be nullified if non-interactive, radio-like streaming services were forced to distinguish between individual sound recordings that are streamed over their services to (1) ascertain the date of recording; (2) identify the owner of that recording; (3) identify all performers on the recording who might assert performance rights in it; (4) evaluate whether the laws of any of the fifty-plus states or U.S. territories provide performance rights to the owner and/or performers on the recording; and (5) negotiate a license to stream the particular work for a fee that is acceptable to both the streaming service and the owner/performers. In other words, even when a non-interactive streaming service meets the rigorous requirements for a statutory license under § 114, it would still be required to check millions of sound recordings with tens of millions of owners and performers against fifty-plus state regimes to determine whether any licenses were needed beyond the federal statutory license and whether any payments were required beyond the statutory rate set by the CRJs.

Even those streaming services that have been paying SoundExchange for their streams of pre-1972 sound recordings could still run afoul of state laws, because they have not received individual licenses from pre-1972 sound recording owners and because state laws might be interpreted to require a greater royalty payment than that set by the CRJs. This creates the same sort of administrative obstacle to the federal scheme that was found to be intolerable in *Bonito Boats*, where the Court noted that the federal patent scheme provided a central location for the public to determine the status of any article in commerce and scope of protection afforded to it and that allowing states to create similar rights in the same products "would lead to administrative problems of no small dimension."[229]

Moreover, the rate-setting mechanism established by § 114 is designed to accommodate all of the competing concerns involved in non-interactive streaming of sound recordings, establishing fair compensation to rights-holders without overburdening the businesses that stream sound recordings to the public.[230] Supplementing the statutory license fees es-

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[229] Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 161 (1989); *see also* Greier, 529 U.S. at 881 (discussing importance of predictability and uniformity in a nation-wide standard of care).

[230] *See, e.g.*, 17 U.S.C. § 801(b)(1) (2012); *see also In re* Digital Performance Right in Sound Recordings and Ephemeral Recordings, Copyright Royalty

tablished by the CRJs with obligations under state laws would upset the balance inherent in the fee-determination process set up by Congress.[231]

In sum, state law protection of digital performance rights in pre-1972 sound recordings presents an intolerable conflict with the goals of the federal compulsory licensing system established for digital streaming by radio-like services in the DPRA and thus is subject to preemption under the Supremacy Clause. The result of such preemption is that owners of pre-1972 sound recordings should be prohibited from relying on state law to enjoin the use of their recordings by digital streaming services that qualify for the federal compulsory license or to seek compensation under state law for such uses.

IV. RESPECT:[232] *FAIRNESS CONCERNS ABOUT PREEMPTION*

There are many good arguments for extending federal copyright protection to pre-1972 sound recordings.[233] There are also good arguments for limiting or refraining from extending such protection.[234] This article does not enter into that thorny and policy-laden debate; it merely asserts that state laws purporting to provide protections to pre-1972 sound recordings that interfere with the carefully-balanced compulsory license for certain categories of digital performances of sound recordings should be preempted under the Supremacy Clause.

Several countervailing policy concerns must be taken into account in considering the argument that owners of pre-1972 recordings should be deprived of state law protections for non-interactive digital public performances of their works: expectation concerns, fairness concerns, and

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Board, No. 2009-1 CRB, Webcasting III, Final Determination of Rates and Terms (Jan. 5, 2011, effective Mar. 9, 2011).

231 *Cf.* Crosby v. Nat'l Foreign Trade Council, 530 U.S. 363, 373 (2000) (preempting Massachusetts law preventing use of state funds to support companies that did business with Myanmar because existing federal sanctions against Myanmar were intended to remain within a specific range and state supplementation of the federal sanctions would frustrate the goals of the federal legislation).

232 Composed by Otis Redding; recorded by Aretha Franklin in 1967.

233 *See, e.g.*, COPYRIGHT PROTECTION FOR PRE-1972 SOUND RECORDINGS, *supra* note 6 at 121; Henry Lee Mann, *As Our Heritage Crumbles into Dust: The Threat of State Law Protection for Pre-1972 Sound Recordings*, 6 WAKE FOREST INTELL. PROP. L.J. 45 (2006); Eva E. Subotnik & June M. Besek, *Constitutional Obstacles? Reconsidering Copyright Protection for Pre-1972 Sound Recordings*, 37 COLUM. J.L. & ARTS 327, 330-42 (2014); Elizabeth Townsend Gard & Erin Anapol, *Federalizing Pre-1972 Sound Recordings: An Analysis of the Current Debate*, 15 TUL. J. TECH. & INTELL. PROP. 123 (2012).

234 *See, e.g.*, Subotnik & Besek, *supra* note 233, at 343-67; Pulsinelli, *supra* note 175, at 240-51.

scope concerns. Although the fairness concerns are particularly powerful, none of these concerns outweighs the very real and substantial interference in the complex DPRA compulsory licensing regime that would be caused by enforcement of state laws protecting digital performance rights.

First, preemption might create expectation concerns. Owners of pre-1972 works might have purchased or assigned rights based on anticipated revenue streams from exploitation of a state law digital public performance right, and preemption could interfere with those expected revenues. However, given the lack of any express recognition of a state law digital performance right before the recent 2014 decisions in the *Flo & Eddie* litigation,[235] it cannot be said that those expectations were either long-standing or certain or that they outweigh the strong federal interest in an efficient and comprehensive compulsory licensing system for digital performances by radio-like services.

Second, preemption would create fairness concerns. Royalties from Internet and satellite radio are the only growing revenue stream for owners of sound recordings within the music industry,[236] and given the lack of federal protection for pre-1972 sound recordings, preemption of state law digital performance rights would preclude owners of pre-1972 sound recordings from participating in at least part of that revenue stream. In an industry where streaming revenues earned by labels and recording artists are close to surpassing revenues from digital downloads and have already surpassed revenues from physical sales of records,[237] state laws protecting the reproduction and distribution rights in pre-1972 recordings will be of decreasing value to owners of those works over time.

However, the substitution concerns that led Congress to create the digital public performance right in the first place — i.e., that sales of recordings were being replaced by online digital access to sound recordings — are perhaps less weighty in the context of older sound recordings for which the owners had many decades in which to sell copies before the digital revolution began to chisel away the market for sales of records. All of these works are already in their fifth decade or more of existence and presumably benefited from the "golden era" in the recording industry when revenues were far greater than they are for artists producing record-

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235 *See supra* discussion in Part II.

236 *See* note 74, *infra*.

237 *See, e.g.*, Matthew Garrahan, *U.S. Streaming Revenues Overtake CD Sales*, CNBC.COM, (Mar. 18, 2015), http://www.cnbc.com/2015/03/18/us-streaming-revenues-overtake-cd-sales.html (noting that RIAA reports showed 2014 streaming revenues surpassed physical CD sales and were approaching revenues from digital downloads).

ings today.[238] The copyright monopoly under both state and federal law has always been limited, both in time and scope. Excluding owners of pre-1972 recordings from the non-interactive digital transmission revenue stream is not as inequitable as it might seem at first glance when viewed through a longitudinal lens, because newer artists who receive federal protection for their recordings are operating in a market where the pie of total revenues is getting progressively smaller, whereas the owners of older recordings benefited from a growing market during the decades after those works were released.

Third, preemption of state law digital public performance rights in non-interactive digital audio transmissions might raise scope concerns. Owners and potential licensees of pre-1972 sound recordings might be left uncertain as to the degree to which other types of performance rights in pre-1972 works might be affected. However, the argument for preemption made here is a narrow one. The federal compulsory license system in place for digital public performances of sound recordings does not encompass the full range of digital uses of sound recordings. It only applies to a narrowly-defined set of transmissions that generally apply to Internet and satellite radio, and all other uses require individual licenses.[239] Enforcement of state law digital public performance rights by owners of pre-1972 sound recordings in the context of interactive streaming services like Spotify is unlikely to be preempted, given that the 1995 DPRA already anticipates individual licensing negotiations on a recording-by-recording basis. Requiring additional licenses for pre-1972 recordings under state law would be a relatively small increase in the total burden for interactive services seeking to obtain licenses from sound recording owners.[240] Thus, those services that meet the strict, narrow requirements of the statutory license will be protected from state law claims by owners of pre-1972 sound recordings under the conflict preemption analysis undertaken here. On-demand services will be left to individual negotiations with sound recording owners for rights to the content, which would not pose the same interference with the federal licensing scheme that is presented when services that do qualify for the statutory license are also required to comply with a myriad of state laws or risk litigation.[241]

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238 *See, e.g.*, Andrea Swensen, *Forty Years of Music Sales Data in Two Handy Charts*, THE CURRENT BLOG (Feb. 20, 2014), http://blog.thecurrent.org/2014/02/40-years-of-album-sales-data-in-one-handy-chart (illustrating increasing revenues from record sales over the period from 1973–1999, with a subsequent decline every year since 1999).

239 *See* Part III *supra*, particularly notes 112-114, 116-126, and accompanying text.

240 *See* 17 U.S.C. § 114(d)(2)(A)(i) (2012).

241 Supremacy Clause preemption of state laws that are inconsistent with the compulsory licensing provisions of § 114(d)(2) would also not run afoul of the general canon of statutory interpretation that one section of a statute can-

Similarly, preemption of state law digital public performance rights that conflict with the federal compulsory licensing system would have no impact on state laws protecting pre-1972 sound recordings against unauthorized reproduction and distribution, digital or otherwise, other than ephemeral and other reproductions necessary to facilitate the digital public performance right.[242] Unless and until Congress implements a comprehensive compulsory licensing scheme that affects other state laws protecting rights in pre-1972 sound recordings, the rationale for conflict preemption discussed above would be narrowly confined to the use of sound recordings in non-interactive digital transmissions that qualify for the § 114(d)(2) compulsory license.[243]

Ultimately, though, all of the above concerns arise not out of the preemption of state rights that are directly in conflict with federal copyright law, but out of Congress' original decision in 1971, reaffirmed in the Copyright Act of 1976, to exclude pre-1972 sound recordings from federal protection. Inequities resulting from the disparity in treatment between pre-1972 and post-1972 recordings were an inevitable result of that original decision, but the growing dominance of digital streaming in the music in-

not be interpreted in a way that effectively repeals another section of the statute. *See* Tennessee Valley Auth. v. Hill, 437 U.S. 153, 189 (1978). Finding state laws preempted only so far as they conflict with the compulsory license for digital audio streaming would not repeal § 301(c) as a result of the § 114 compulsory license provision; § 301(c) would remain fully effective as to any and all state laws that do not fundamentally conflict with the goals and purposes of specific provisions of the federal copyright act.

242 *See* 17 U.S.C. § 112 (2012) (establishing narrow statutory license for ephemeral recordings arising out of digital streaming under a § 114 statutory license). This article presumes, without analyzing in depth, that the same rationale for conflict preemption of state law performance right claims that applies to digital streaming under a § 114 statutory license would apply to claims based on state law arising out of ephemeral copying covered under the § 112 license.

243 The rationale for preemption of state law rights affecting transmissions that qualify for the statutory license under § 114(d)(2) might also support preemption of state law rights affecting transmissions that are exempt from any licensing under § 114(d)(1). Just as the language and history of the patent laws demonstrated an express intent by Congress to leave some categories of works that might be subject to the patent monopoly free for the public to use that justified preemption of conflicting state laws in *Sears* and *Compco*, see *supra* notes 157-163 and accompanying text, § 114's creation of categories of digital public performances that are exempt from any licensing could be found to demonstrate an express intent by Congress to leave those types of uses free for public use. Because preemption analysis requires careful consideration of the particular statutory provisions at issue and the potential conflict created by state laws, and because no state laws have yet been asserted that would impose liability on exempt transmissions under § 114, a full analysis of that question is outside the scope of this article.

dustry has exacerbated those inequities. It is thus not surprising that both owners of pre-1972 sound recordings and individual states have been seeking ways to ensure that legacy works are included in this growing revenue stream. However, remedies based solely upon state law would be inconsistent, perhaps contradictory, and incompatible with the objectives of the federal statutory license. These concerns can and should all be addressed by Congress, in a context in which it can carefully consider and balance the competing interests already reflected in the 1995 DPRA, as well as the equitable concerns regarding compensation to owners of pre-1972 sound recordings (and to the artists who created them), the expectations of those who might have licensed those works, and the scope of protection that might be provided to those works.

In fact, over the past several years, bills have been introduced in Congress to address these issues and the Copyright Office has engaged in a detailed study of the issues raised by possible federal protection of pre-1972 sound recordings.[244] Last year, Congress introduced H.R. 4772, known as the "RESPECT Act," which would have brought pre-1972 sound recordings within the ambit of the §§ 114 and 112 compulsory licenses for purposes of compensation without providing federal copyright protection to those works, immunizing any digital streaming services that paid the statutory license fee from any state law claims based on the use of the sound recordings.[245] Similar provisions were incorporated into the recently introduced Fair Pay, Fair Play Act of 2015, which provides that its objective is "to provide fair treatment of radio stations and artists for the use of sound recordings."[246] Although the Fair Pay, Fair Play Act focuses

244 *See, e.g.*, H.R. 4772 (113th Cong. 2014); COPYRIGHT AND THE MUSIC MARKETPLACE, *supra* note 5. The February 2015 Copyright Office *Report on Copyright and the Music Marketplace* expressly recommended that pre-1972 sound recordings be brought under federal copyright protection, noting, "The lack of federal protection for pre-1972 sound recordings impedes a fair marketplace. Record labels and artists are not paid for performances of these works by digital services, which (at least until recent court rulings under state law) were considered free from copyright liability on the sound recording side." COPYRIGHT AND THE MUSIC MARKETPLACE, *supra* note 5, Executive Summary at 3.

245 Respecting Senior Performers as Essential Cultural Treasures Act, H.R. 4772, 113th Cong. (2014).

246 H.R. 1733, 114th Cong. (2015). This bill is reminiscent of the 1909 Copyright Act's attempt to deal with composer's rights in mechanical reproductions of compositions by providing for a statutory license without providing copyright protection to the particular recording of the composition. See 17 U.S.C. § 1(e) (1909); *Goldstein*, 412 U.S. at 563-66. Some argue that it does not go far enough, but it would provide some recompense to owners of pre-1972 sound recordings for digital radio streams of their works without having to wrestle with the more difficult questions about bringing previously

primarily on parity among different radio station platforms (including terrestrial radio, webcasting, satellite radio, and personalized streaming radio stations), section 7 would require digital audio transmission services that qualify for the statutory license to pay owners and creators of pre-1972 recordings in the same manner as they do post-1972 recordings.[247] It would also immunize services that make those payments from liability under any state laws that might be claimed to protect public performance rights in pre-1972 recordings, but it expressly refrains from providing federal copyright protection to those works.[248]

One possible remedy at the state level might be adoption of a uniform state law that requires digital audio transmission services that qualify for the § 114 statutory license to pay for performances of pre-1972 sound recordings in the same manner that federal law requires for performances of post-1972 sound recordings — essentially the mirror image of the Fair Pay, Fair Play Act's provision of immunity against state law liability for performances of pre-1972 recordings if the statutory license fee is paid by services that qualify for it. Certainly, the adoption by such a law by a majority of states would avoid some of the conflict justifying preemption discussed in Part III(B), *supra*. Some conflict with the federal licensing scheme would still exist, because streaming services would still carry the additional burden, beyond compliance with the federal statutory license, of having to determine which pre-1972 recordings are protected by which state laws. That problem could potentially be addressed by provisions in the uniform state law that would require owners of pre-1972 recordings to register their works in a way that provides notice to streaming services of a claim to the protection of a particular state's laws for those recordings. There still, however, would be a question as to whether requiring a qualifying service to do any more than the federal statutory license requires would create an obstacle to the proper functioning of the § 114 license. And the rate-setting process could be undermined even with a uniform state law, because the effect of such state laws on the total license fees to be paid by individual services would be hard for the CRJs to measure and factor into the balance of interests unless and until all fifty states had enacted those laws.

The most effective solution for addressing fairness and scope concerns in a way that does not interfere with the objectives of the § 114 statutory licensing regime is for Congress to act. Passage of the provisions of the Fair Pay, Fair Play Act of 2015 relating to digital performances of pre-1972 sound recordings could provide an effective remedy for the concerns dis-

unprotected works under the umbrella of federal protection that are outside the scope of this article.

247 *Id.* § 7(a).

248 *Id.*

cussed above that were created by the congressional decision to protect only post-1972 recordings and that could be exacerbated by preemption of state laws governing digital public performances. In fact, a judicial finding of Supremacy Clause preemption of such state law claims might spur Congress to act more expeditiously in dealing with the problem it created when it exempted pre-1972 sound recordings from federal copyright. Rather than leaving individual state courts or legislatures to fashion remedies that hinder the goals of the compulsory licensing system for digital public performances of sound recordings, Congress should address the competing arguments and whether they merit amendments to the carefully balanced compulsory licensing system adopted in 1995.

V. AT LAST[249] - *CONCLUSION*

Nothing in this article is intended to minimize the cultural and artistic importance of sound recordings that were made before 1972. However, Supremacy Clause preemption of just the narrow category of digital public performance rights addressed in this article — digital streams that meet the requirements for the limited compulsory license under § 114 — does not leave owners of pre-1972 sound recordings without any protection. They may still protect their works under state law against illegal reproduction and distribution, including unlicensed digital downloads. State laws protecting interactive digital audio transmissions are also unlikely to be preempted given Congress' willingness to allow individual licensing for those uses of sound recordings.

So long as pre-1972 recordings receive no federal copyright protection and are excluded from the federal compulsory licensing regime, efforts by individual states to provide compensation to those artists and their record labels for non-interactive digital performances of their works will likely pose too great a conflict with the federal statutory license regime to be permitted. State-by-state litigation and legislation not only interferes with the goals of the federal statutory license, but it also risks harm to all artists and to the listening public if non-interactive streaming services are overburdened and opt to eliminate access to these works or are unable to sustain their services. Supremacy Clause preemption alone would be sufficient to keep the well-loved recordings of Frank Sinatra, Elvis Presley, Etta James, and hundreds of other recording artists whose records were made before February 15, 1972, available to the public through Internet and satellite radio services, but it would leave the owners and performers

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249 Composed by Mack Gordon and Harry Warren in 1941, *At Last* was recorded by Etta James in 1961, and her recording of the song was inducted into the Grammy Hall of Fame in 1999. *Grammy Hall of Fame*, GRAMMY.ORG, http://www.grammy.org/recording-academy/awards/hall-of-fame (last visited Mar. 19, 2015).

of those works uncompensated for those performances. The question of whether and how compensation might be provided for radio-like streaming of pre-1972 sound recordings should thus be addressed by Congress. In evaluating that question, Congress should of course take into consideration the competing interests that it balanced in enacting the 1995 DPRA and in crafting the statutory license. However, it should also consider the rising popularity of streaming as a substitute for sales of music and the economic effect of precluding the owners and performers of pre-1972 sound recordings from this revenue stream, recognizing the importance of many of these works to our nation's cultural heritage.

WHOSE WORKS MUST NOT BE BROADCASTED BY COMPULSORY LICENSE IN CHINA? A COMMENTARY ON ARTICLE 49.2 OF THE DRAFT AMENDMENT OF CHINA'S COPYRIGHT LAW

by WANG, QIAN*

ABSTRACT

China's Copyright Law provides a system of compulsory licensing for broadcasting organizations to broadcast certain works, and the system treats domestic and foreign works equally. This means that broadcasting organizations in China do not need permission from domestic or foreign copyright owners to broadcast certain works, but have to pay remuneration to them. Dramatic change, however, is being made to this system. Article 49.2 of the third draft amendment of the China Copyright Law narrows the scope of the application of the compulsory license to works of "Chinese copyright owners and foreign copyright owners whose works are created in China." As a result, most foreign works will no longer be subject to the compulsory license.

This article argues that Article 49.2 of the third draft amendment of the China Copyright Law is not appropriate. It is claimed that this provision is intended to comply with Article 11*bis*(2) of the Berne Convention. However, the very nature of the Berne Convention makes it clear that all the provisions on copyright limitation in the Berne Convention care only about how a member state limits the copyright of works originating in other member states, and they have nothing to do with how a member state treats works originating in that state. As a provision allowing member states to substitute the system of compulsory licensing for the exclusive right of broadcasting, Article 11*bis*(2) of the Berne Convention does not oblige China to apply the compulsory license only to domestic works.

Article 49.2 of the third draft amendment is also based on the misinterpretation of the expression "these conditions (of compulsory license) shall apply only in the countries where they have been prescribed" in Article 11*bis*(2) of the Berne Convention. In the opinion of the drafters of the amendment, the specific expression means "these conditions shall apply only *to the works* in the countries where they have been prescribed." This understanding contradicts the legislative purpose of Article 11*bis*(2) of the Berne Convention. That expression does not mean that the compulsory

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license can only apply to works originating in the member state where the compulsory license has been prescribed. Instead, it means that when a broadcasting organization obtains a compulsory license to broadcast works originating in other member states, and the broadcasting signal crosses the border, other member states receiving the broadcasting signal do not have an obligation to treat the unauthorized broadcast as a lawful one.

The reason why Article 49.2 of the third draft amendment confines the application of the compulsory license to works of "foreign copyright owners whose works are created in China" rather than to works of all foreign copyright owners, is the misunderstanding that "country of origin" in the Berne Convention indicates "country where a work is created." In fact, "country of origin" has nothing to do with the territory where a work is created.

If Article 49.2 is finally adopted, unjustified supra-national treatment will be created under which Chinese copyright owners are treated less well than most foreign copyright owners. Moreover, foreign copyright owners whose works are created in China will be subject to more copyright limitations than those foreign copyright owners who created their works somewhere else, thus producing another unjustified discrimination. The interests of broadcasting industry in China will also be seriously affected since they would have to negotiate with most foreign copyright owners to obtain licenses, and the current practices for broadcasting organizations to pay compulsory license fees to foreign copyright owners will be destroyed. Therefore, this article suggests deleting Article 49.2 from the third draft amendment of the China Copyright Law, so that the compulsory license to broadcast certain works is able to apply equally to domestic and foreign works in China.

INTRODUCTION

The China Copyright Law is in the process of being amended for the third time,[1] and three draft amendments have already been published for public comment.[2] Several provisions in these draft amendments attracted

[1] The China Copyright Law was first promulgated in 1990 and was amended for the first time in 2001 in order to meet the requirements of the TRIPs Agreement. After the WTO panel ruled that Article 4.1 in the 2001 China Copyright Law, which excludes unlawful content from copyright protection, was not consistent with the Berne Convention and the TRIPs Agreement, China amended the Copyright Law for the second time in 2010 by deleting Article 4.1 from the Law.

[2] The first draft amendment was published on February 2012 by the National Copyright Administration of China ("NCAC"), which was responsible for drafting the amendment of the Copyright Law, and the revised draft amendment ("the second draft amendment") was published on July 2012 by NCAC. At the end of 2013, the NCAC submitted the third draft amend-

intense attention from copyright owners and industries, and a hot debate is still going on — for instance, whether or not the compulsory license to record musical works should be abolished,[3] and whether or not extended collective management should be implemented.[4] However, a dramatic

ment to the Legislative Affair Office of the State Council, which was responsible for reviewing and revising all the drafts of laws before they could be sent to the National People's Congress for voting. In August 2014, the Legislative Affair Office published that draft amendment ("the third draft amendment") to the public.

[3] In some countries, "compulsory license" is different from "statutory license" in the copyright law, where the former means the license granted by competent authorities in accordance with the user's application and the latter means an automatic license by the operation of the law without the application for the license. In this article, "compulsory license" indicates any non-voluntary licensing system provided by the law where a user does not need to get a prior license from the copyright owner, but has to pay remunerations for the use. Article 40.2 of the China Copyright Law provides for the compulsory license to record musical works. In accordance with that provision, a sound recording producer is allowed to produce a sound recording of a musical work without the permission from the copyright owner, as long as the producer paid statutory royalties to the copyright owner, and the same musical work has already been lawfully recorded on sound recordings by others, provided that the copyright owner did not make a reservation declaring that the unauthorized recording is prohibited. In the first draft amendment, the copyright owners are no longer allowed to make a reservation to preclude the use of the compulsory license by sound recording producers, and producers cannot obtain the compulsory license unless the first lawfully-produced sound recording of the musical work has been distributed to the public for three months. *See* Article 46 of the first draft amendment. Due to the strong opposition from copyright owners of musical works and the record industry, the NCAC not only withdrew the proposed revision, but also abolished the compulsory license in the second draft amendment. *See Opinions of the China Music Copyright Association Requesting the Deletion of "People's Republic of China Copyright Law (Draft Amendment) Sections 46 and 48*, Music Copyright Society of China (Apr. 1, 2012), http://www.mcsc.com.cn/informationSociety.php?partid=13&pid=998 (MCSC, the collective management society of musical works, quest to delete Article 46 in the first draft amendment). However, some scholars expressed deep sorrow for the abolishment of the compulsory license and argued that it should be kept in the Copyright Law with some improvements. *See* Mei Suwen, *Contention and Reflection on the Statutory Recording Licenses*, J. Nanjing Univ. of Sci. & Tech. (Soc. Sci. ed., no. 1 (2013)).

[4] Article 60 of the first draft amendment provides for the system of extended collective management. Facing strong opposition from the copyright owners who are not satisfied with the current collective management societies, the NCAC dramatically narrowed the scope of the proposed extended collective management to the use of certain works, which have already been broadcasted by radio or television stations, as well as musical works and audiovisual works which karaoke operators wish to use. *See* Article 60 of the second draft amendment. In the third draft amendment, the scope of

change in the compulsory license to broadcast certain works proposed by the third draft amendment has been neglected in the discussion of the amendment.

The China Copyright Law provides compulsory licenses for broadcasting organizations to broadcast certain works. This means that broadcasting organizations do not need to obtain individual licenses from the copyright owners to broadcast certain works. Instead, they only need to pay remuneration to the copyright owners.[5] The compulsory licenses apply not only to Chinese works, but also to foreigners' works. The third draft, as the latest draft of the amendment, however, narrows the scope of the application of the new combined compulsory license only to works of "Chinese copyright owners and foreign copyright owners whose works are created in China."

If the proposed revision were adopted by the legislature as such, a far-reaching effect would be produced, which would be no less than that brought by the abolishment of the compulsory license to record musical works and the introduction of the extended collective management. This article argues that such a change in the scope of the compulsory license to broadcast certain works is not appropriate, is based on misinterpretations of the Berne Convention, and will lead to undesirable consequences for the broadcasting industry in China.

The first part of this article introduces the origin of the compulsory licenses to broadcast certain works and their evolution in China. The review of this legislative history helps to clarify that the revision of the system of compulsory licensing in the 2001 amendment of the China Copyright Law was intended to comply with the Berne Convention and apply the compulsory license lawfully to foreign works. The second part examines in detail the effect of copyright limitations in international copyright treaties, particularly the Berne Convention, since most copyright limitations in the Copyright Law are based on the Berne Convention and the revision of the system of compulsory licensing at issue is intended to comply with the Berne Convention. It is concluded in this part that any copyright limitations authorized by the Berne Convention shall apply to foreign works, which is evidenced by the WTO case of *EC v. U.S.* on section 110(5) of U.S. Copyright Act. The third part digs deep into the reason why the proposed revision changes the scope of application of the compulsory license, and points out that it is mainly because of the misinterpretation of the specific expression "these conditions (of compulsory

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the proposed extended collective management is further narrowed to the use of musical work and audiovisual works in karaoke bars. See Article 63 of the third amendment.

[5] *See* China Copyright Law arts. 43.2, 44; *see also* the introduction to the two compulsory licensees in the following part of this article.

license) shall apply only in the countries where they have been prescribed" in Article 11*bis*(2) of the Berne Convention. This part also elaborates on the negative effect of the proposed revision on the legal system and the broadcasting industry in China. In the end, this article suggests deleting the proposed revision of the scope of the compulsory license to broadcast certain works.

I. COMPULSORY LICENSE TO BROADCAST CERTAIN WORKS IN CHINA AND THE PROPOSED REVISION

To make a judgment whether the proposed revision of the system of compulsory licensing for broadcasting organizations to broadcast certain works is appropriate, it is necessary to review how the system came into existence in Chinese copyright law and how the system evolved in the following amendment of the copyright law, with a view to providing a background of the analysis of the proposed revision.

A. The Origin and Evolution of Compulsory Licenses to Broadcast Works in China

The China Copyright Law grants the right of broadcasting to authors of works. Article 10(11) provides that the right of broadcasting covers the broadcasting of works or the communication thereof to the public by wireless means, and the communication to the public by wire, or by rebroadcasting of the broadcast of the work. Since the right of broadcasting is an exclusive economic right,[6] the right owners can either authorize broadcasting organizations to broadcast their works or prohibit them from doing so. It follows that radio or television stations should obtain prior licenses from the copyright owners to broadcast their works.

Nevertheless, broadcasting organizations in China are not ordinary users of copyrighted works. All broadcasting organizations in China are established by government. The Regulation on the Administration of Radio and Television clearly provides that radio and television stations shall be established by the governmental department on administration of radio and television. Individuals and any other entities are not allowed to establish a radio or television station.[7] It is undisputed that radio and television stations that are established by the government serve as its organs of publicity, so that they occupy "the special position of publicity in this country."[8] In addition, given the large number of works to be broadcasted to

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6 The first sentence of Article 10 of the China Copyright Law reads: "Copyright includes the following moral rights and economic rights."

7 *See* Regulation on the Administration of Radio and Television art. 10.1 (promulgated by the State Council in 2007).

8 *See* INTERPRETATIONS OF PROVISIONS OF THE COPYRIGHT LAW OF THE PEOPLE'S REPUBLIC OF CHINA 205 (Li Jianguo ed., 2001).

the public, it is impossible for broadcasting organizations to obtain individual licenses from countless copyright owners. That was particularly true in the 1990s when the collective management societies were only in their infancy in China,[9] and blanket licensing was just beyond people's imagination at that time. As a result, the 1990 Copyright Law, which is the first Copyright Law of the People's Republic of China, places limitations on the right of broadcasting for radio and television stations.

The limitations are contained in two provisions, the first of which creates a compulsory license for radio and television stations to make use of published works, from which cinematographic works are excluded,[10] to produce radio and television broadcast programs.[11] Although this provision does not explicitly mention that radio and television stations may broadcast the programs thus produced, all the authoritative interpretations on the 1990 Law clarify that the legislative purpose was to allow radio and television stations to broadcast these programs that made use of others' published works.[12] The second provision allows radio and television stations to broadcast published sound recordings without the authorization of copyright owners of works embodied in the sound recordings. In addition, radio and television stations do not have to pay remuneration to copyright owners as long as the broadcasting is not-for-profit.[13] "Copyright owners" in this provision indicates the right holders of the works embodied in sound recordings, rather than the right holders of the sound recordings as such, since the 1990 Copyright Law does not grant the right of broadcasting to the producers of sound recordings.

It should be pointed out that when the 1990 Copyright Law was promulgated, radio and television stations were financially dependent on the government in order to broadcast programs to the public free of charge, and all the income from their advertisement services were also "viewed as fiscal appropriation" as a supplement to the governmental fi-

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[9] The first collective management society, Music Copyright Society of China (MCSC) was not established until the end of 1992, two years after 1990 Copyright Law was promulgated. *See General Introduction*, MUSIC COPYRIGHT SOCIETY OF CHINA, http://www.mcsc.com.cn/Introduction.php?partid=28 (last visited Apr. 20, 2015).

[10] *See* 1990 China Copyright Law art. 4 (which clearly provides that the broadcasting of others' cinematographic works needs permission from the copyright owners).

[11] *See id.* art. 40.2.

[12] *See* INTERPRETATION OF THE COPYRIGHT LAW OF THE PEOPLE'S REPUBLIC OF CHINA 180 (Hu Kangsheng ed., 2001); INTERPRETATION OF THE COPYRIGHT LAW OF THE PEOPLE'S REPUBLIC OF CHINA 252 (Yaohong ed., 2011). All the authors of the two books were working in the Office of Civil Law in the Legal Committee of the Standing Committee of National People's Congress.

[13] *See* 1990 China Copyright Law art. 43.

nancial support.[14] Therefore, even if the broadcasting of sound recordings is accompanied by advertisement, the broadcasting is still not regarded as profit-making. As a result, no radio or television stations need to pay remuneration to the copyright owners of the works embodied in the published sound recordings.

It is noteworthy that China did not join the Berne Convention (Paris Act of 1971) until 1992. After the Berne Convention was effective in China, authors of other member states should enjoy the rights specially granted by the Berne Convention in China.[15] Although Article 11*bis*(2) of the Berne Convention allows member states to apply limitations on the right of broadcasting, it clearly requests that the authors' right to obtain equitable remuneration shall not be prejudiced. Nevertheless, the second limitation on the right of broadcasting provided by the 1990 Copyright Law deprives foreign authors of the right to get equitable remuneration, and thus is not consistent with the Berne Convention. As a temporary measure to resolve this problem, the State Council promulgated the Regulation for the Implementation of International Copyright Treaties in 1992. Article 16 of the Regulation provides that the broadcasting of foreign works shall be governed by the Berne Convention, and when collective management societies exist, prior authorization shall be obtained from such societies.

Although the Regulation played a key role in fulfilling China's obligation under the Berne Convention, it discriminates against domestic nationals with respect to copyright protection. It follows that radio or television stations in China have to obtain licenses from copyright owners of other member states of the Berne Convention to broadcast their works, but they do not need to obtain licenses from Chinese copyright owners. The double-standard treatment was of course not desirable since it "injured the national self-esteem and had the adverse impact on the international image of this country."[16] So a better solution was to amend 1990 Copyright Law and revise the limitations on the right of broadcasting so that domestic and foreign copyright owners could be treated equally.

In 2001, the Copyright Law of China was amended for the first time. The legislative purpose of the amendment was clearly stated by the authority to comply with the TRIPs Agreement, so that the legal obstacle to China's accession to WTO could be cleared.[17] Whether and how the provision allowing broadcasting organizations to freely broadcast works em-

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14 *See* Hu Kangsheng, *supra* note 12, at 182.

15 *See* Berne Convention for the Protection of Literary and Artistic Works art. 5(1), adopted Sept. 9, 1886, S. TREATY DOC. No. 99-27, 1161 U.N.T.S. 3.

16 *See* Hu Kangsheng, *supra* note 12, at 182; *see also* Yaohong, *supra* note 12, at 254.

17 The legislature pointed out that:

bodied in published sound recordings should be revised was an important issue in the process of the amendment.[18] In the end, a compromise was reached between the authors' exclusive control of broadcasting as provided in the Regulation for the Implementation of International Copyright Treaties and the totally free broadcasting of the works as provided in the 1990 Copyright Law. That was a new compulsory license for broadcasting organizations to broadcast works embodied in published sound recordings. In the meantime, the first limitation on the right of broadcasting contained in the 1990 Copyright law, which provides for the compulsory license for broadcasting organizations to make use of certain published works to produce broadcast programs and to broadcast the programs, remains with only minor revisions.

After the amendment, the China Copyright Law contained two provisions on compulsory license to broadcast certain works. Article 43.2 provides: "Radio and television stations may broadcast the published works without the permission from the copyright owners, but shall pay remunerations to the copyright owners."[19] As its predecessor in the 1990 Copyright Law, this provision on compulsory license does not apply to a "cinematographic work or a work created by a process analogous to cinematography."[20]

The second compulsory license is contained in Article 44, which can be traced back to the provision in the 1990 Copyright Law on the free broadcasting of works embodied in published sound recordings. Article 44 provides: "Radio and television stations may broadcast the published sound recordings without permission from the copyright owners, but shall pay remuneration to the copyright owners, unless the parties concerned have agreed otherwise."

Once again, the term "copyright owners" in this provision only refers to the right holders of the works embodied in sound recordings, instead of

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It was the final stage of the negotiation for China's accession to WTO. There are some gaps between the Copyright Law and the TRIPs Agreement. China has promised to fully implement the TRIPs Agreement at the time of China's accession to WTO. In order to . . . contribute to China's accession to WTO, it is necessary to amend and improve the current Copyright Law.

Yaohong, *supra* note 12, at 43.

18 *See* Hu Kangsheng, *supra* note 12, at 181-85; *see also* Yaohong, *supra* note 12, at 253-57. It should be noted that the substantive provision of the Berne Convention is incorporated into the TRIPs Agreement by its Article 9.1.

19 It is clear that this article is a revised version of Article 40.2 of the 1990 Copyright Law, which provides for the compulsory license for broadcasting organizations to make use of the published works (cinematographic works are excluded) to produce broadcast programs and broadcast the programs.

20 *See* 1990 China Copyright Law art. 46.

the right holders of the sound recordings as such, because sound recording producers still do not have the right of broadcasting in the revised China Copyright Law.[21] Therefore, the provision allowing the free broadcasting of works in the 1990 Copyright Law was converted to the provision on compulsory license to broadcast works.

From this legislative history of the system of compulsory licensing for broadcasting organizations to broadcast certain works, two conclusions could be made, which are helpful in the evaluation of the proposed revision of the provision on the compulsory license in the third amendment of China Copyright Law. First, the limitations on the right of broadcasting were intended to be applied equally to domestic and foreign copyright owners in the 1990 Copyright Law. Otherwise, it would not make any sense for the Regulation for the Implementation of International Copyright Treaties to exclude foreign works from the scope of application of the limitations. Second, one of the effects of the amendment of the 1990 Copyright Law was the elimination of the discrimination against domestic copyright owners. By abolishing the provision allowing the free broadcasting of the works and creating a new system of compulsory licensing, the Copyright Law now grants the same protection and imposes the same limitation on the right of broadcasting of domestic and foreign copyright owners. In this way, works of foreign copyright owners are also subject to the compulsory license to broadcast their works.

B. The Proposed Revision

After the amendment of the Copyright Law in 2011, an unexpected consequence occurred in the following days. Since the old provision allowing the free broadcasting of works embodied in sound recordings in the 1990 Copyright Law was revised, this resulted in two compulsory licenses for broadcasting organizations in the Copyright Law. To make things worse, these two compulsory licenses overlap to a large extent, because

21 Article 42 of the Copyright Law grants the producers of sound recordings the right to authorize others to reproduce, distribute, rent, and make available through information networks the sound recordings. It follows that producers of sound recordings do not enjoy the right of broadcasting or the right to receive the equitable remuneration for commercial use of the sound recordings. That is why China declared that it will not apply the provisions of Article 15(1) of the WIPO Performances and Phonograms Treaty (WPPT), which provides that performers and producers of phonograms shall enjoy the right to a single equitable remuneration for the direct or indirect use of phonograms published for commercial purposes for broadcasting or for any communication to the public. *See Treaties and Contacting Parties – WIPO Performances and Phonograms Treaty – China*, WIPO, http://www.wipo.int/treaties/en/remarks.jsp?cnty_id=1990C (last visited Apr. 20, 2015).

works embodied in the published sound recordings, which are targeted in Article 44, are also "published works" covered by Article 42.2.

In the process of the amendment of China Copyright Law initiated in 2012, the drafters of the amendment realized this shortcoming, and combined the two compulsory licenses in a single article in the third draft amendment and thus created the new Article 49. The first paragraph of that article reads as the follows: "Radio and television stations may broadcast the published works without permission from the copyright owners, provided that the conditions contained in Article 50 are met.[22] The broadcasting of audiovisual works shall be authorized by the copyright owners."

This new Article 49.1 on the compulsory license is reasonable since it removes the legal uncertainty surrounding the relationship between the two compulsory licenses in the current Copyright Law. The new article, however, contains a second paragraph to restrict the scope of application of the compulsory license provided in the first paragraph. Article 49.2 provides that: "This article applies to Chinese copyright owners and those foreign copyright owners whose works are created in China."

Compared to this new provision on compulsory license, the provisions on the two compulsory licenses in the current Copyright Law apply equally to Chinese and foreign works. Obviously, the third draft amendment dramatically changes the scope of application of the compulsory license to broadcast certain works. It follows that the broadcasting of foreigners' works shall need prior authorizations as long as the works are not created in China, and any unauthorized broadcasting of these works constitutes copyright infringement.

There is no official statement on why the scope of the application of the new combined compulsory license is proposed to be narrowed. In the short explanation, which was published along with the third draft amendment of the Copyright Law, there exists only one paragraph describing the background of the revision of all of the compulsory licenses in the third draft amendment. It reads as the follows:

> In accordance with the *international treaties* and opinions from various circles of the society, five compulsory licenses in the current Copyright Law are adjusted. . . . The two compulsory licenses for radio and television stations are combined into a single one . . . . The conditions of

[22] Article 50 in the third draft amendment provides for the conditions that all the compulsory licenses must meet, including: (1) record the works with the relevant collective management societies; (2) indicate the names of the copyright owners, the titles of the works and the original sources of the works; and (3) pay the statutory royalties directly to the copyright owners or to relevant collective management societies.

applying compulsory licenses and the liabilities for violation of the legal obligations (of the users) are also clearly provided.[23]

Since no proposal for narrowing the scope of the compulsory license to broadcast certain works has ever been raised in the process of the amendment, the only possible rationale behind Article 49.2 is that in the drafters' view, the current provisions on the compulsory license to broadcast works are not consistent with the international treaty, i.e., the Berne Convention.[24] In other words, the current provisions are not in conformity with the Berne Convention because they allow the compulsory license to apply to foreign works, while the Berne Convention only permits member states to apply such a compulsory license to domestic works. In order to comply with the requirement of the Berne Convention, Article 49.2 was drafted to confine the scope of the application of the compulsory license provided in Article 49.1 to works of "Chinese copyright owners and foreign copyright owners whose works are created in China."

II. THE BERNE CONVENTION AND LIMITATIONS OF COPYRIGHT IN CHINA

Clearly, to assess whether Article 49.2 in the third draft amendment is well-grounded, it is necessary to analyze whether or not the Berne Convention allows China to apply the system of compulsory licensing as a substitute for foreign authors' exclusive right of broadcasting. However, first and foremost, it is necessary to examine the effects of the copyright limitations in the Berne Convention, and whether Article 49.2 was drafted on the basis of a correct understanding of the effects.

A. The Effect of Copyright Limitations in the Berne Convention

Among all the international copyright treaties that protect authors' rights,[25] the Berne Convention is the most important to China with respect to copyright limitations. This is because the Berne Convention contains provisions allowing member states to impose specific limitations on copyright. As a country where the copyright law was a newborn in 1990,

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23 *See Explanation to the Draft Amendment of the Copyright Law of Peoples' Republic of China* 5-6 (Aug. 2014) (published by the Legislative Affair Office of the State Council on August 2014) (emphasis added).

24 In a conference held in July 2014 discussing the third draft amendment, the drafters explicitly expressed the view that it is a violation of the obligation under Article 11*bis*(2) of the Berne Convention to apply the compulsory licenses to foreigners. The author of this article was present at that conference.

25 China joined the Berne Convention (1971) and the Universal Copyright Convention in 1992. China also joined the TRIPs Agreement in 2001 and the WCT in 2006.

China took advantage of these provisions in the Berne Convention and directly transplanted them to its domestic copyright law. As a matter of fact, half of the provisions on copyright limitations in China Copyright Law have their origins in the Berne Convention.[26] The provisions on compulsory licenses to broadcast works in the current Copyright Law also could be traced back to Article 11*bis*(2) of the Berne Convention.

While providing for the right of broadcasting and the related rights in the first paragraph of Article 11*bis*, the Berne Convention allows member states to place limitations on these rights in the second paragraph. Article 11*bis*(2) provides that:

> It shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised. . . . They shall not in any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

As mentioned in the previous part, the drafters of Article 49.2 of the third draft amendment think that Article 11*bis*(2) of the Berne Convention only allows member states to impose compulsory license on domestic works. As a result, Article 49.2 confines the scope of the application of the compulsory license to domestic works only.

That understanding of the Berne Convention is not correct, because it is a distortion of the effect of the provisions on copyright limitations in the Berne Convention. In this author's view, provisions on copyright limitations contained in international copyright treaties are not intended to limit the copyright of domestic works of contracting states. Instead, they serve as the legal ground for contracting states to impose copyright limitations on works of which the countries of origin are other contracting states.

It should be emphasized that protection of copyright is not only territorial, but also a representation of the principle of state sovereignty. Territoriality of copyright protection means that the copyright in each country is determined by the law of that country, and is only effective within that

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[26] For instance, Article 22 of the China Copyright Law provides for twelve "free uses" of copyrighted works, by which the use of a copyrighted works needs neither authors' authorization nor payment of remuneration to authors. The first six "free uses" come directly from the Berne Convention. The first one ("private use"), the second one ("quotations "), the third one ("reporting of current events"), the fourth one ("use of certain articles and broadcast works on current topics"), the fifth one ("use of certain lectures and addresses in the public") and the sixth one ("use for classroom teaching") have their origins, respectively, in Article 9(1), Article 10(1), Article 10*bis*(2), Article 10*bis*(1), Article 2*bis*, and Article 10(2) of the Berne Convention.

jurisdiction.[27] Without bilateral agreements or international treaties providing for national treatment, countries will not grant to nationals of other countries the same protection they grant to their own.[28] The principle of state sovereignty means that it is a matter of domestic legislation to determine the copyright protection for its own nationals, what the scope of the copyright is, what limitations a copyright is subject to, and how the copyright is exercised, asserted, and enforced. Accordingly, how to protect the copyright of its own nationals is an internal affair of a country, and other countries shall not intervene.

The specific problem for the international copyright treaties to resolve is the lack of domestic protection for works of nationals of other countries due to the principle of territoriality. In other words, the aim and the effect of international copyright treaties are to specify minimum standards of protection that contracting states must offer to foreign works.[29] An international copyright treaty shall not dictate to a contracting state how to protect the copyright of its own nationals, or else the principle of state sovereignty will be undermined.[30] Therefore, when an international copyright treaty allows contracting states to impose limitations on copyright in their domestic laws, the copyright limitations thus provided ought to apply equally to foreign works. It is just unnecessary and infeasible for an international copyright treaty to allow a contracting state to place a copyright limitation on one hand, and to restrict the scope of the application of the limitation only to domestic works on the other. Otherwise, the international copyright treaty compels a contracting state to protect works of its own nationals in a certain way, which interferes with its internal affairs and state sovereignty. That is not the role an international copyright treaty should play.

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[27] *See* CATHERINE COLSTON, PRINCIPLES OF INTERNATIONAL PROPERTY LAW 12 (1999).

[28] *See* WORLD INTELL. PROP. ORG., WIPO INTELLECTUAL PROPERTY HANDBOOK 7 (2004) (WIPO Publication No. 489 (E)).

[29] As Professor von Lewinski pointed out, the basic aim of both the bilateral treaties and the Berne Convention was to protect foreign works in the counteracting states. *See* SILKE VON LEWINSKI, INTERNATIONAL COPYRIGHT LAW AND POLICY ¶ 5.01, at 99 (2008).

[30] The Marrakesh Treaty is the exception, since it requires contracting states to provide in their national copyright laws limitations or exceptions to copyright to facilitate the availability of works in accessible format copies for beneficiary persons, including their own nationals. *See* Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled art. 4, adopted June 27, 2013, WIPO Doc. VIP/DC/8 Rev. However, the main aim of the Marrakesh Treaty is not to "protect" copyright, but to safeguard human rights. *See id.* preamb., paras. 1, 2.

The Berne Convention is not an exception. Article 5(3) of the Berne Convention clearly provides that the protection in the country of origin is governed by domestic law. In most cases, the country of origin indicates the member state where a work is first published, or the member state of which an unpublished work's author is a national.[31] Accordingly, a member state does not violate its obligation under the Berne Convention if the state grants lower level of protection than that required by the Berne Convention to authors whose works originate in that state (hereinafter "domestic works").[32] Only with respect to protection to authors whose countries of origin are in other member states (hereinafter "foreign works"),[33] a member state must apply the minimum standard provided by the Berne Convention.[34] This means that the copyright protection granted to domestic works in a member state is exclusively determined by the domestic law of the state and has nothing to do with the Berne Convention.[35]

Copyright protection and copyright limitation are the two sides of the same coin; more limitations means less protection and vice versa. Therefore, the phrases "protection in the country of origin" in Article 5(3) of the Berne Convention covers limitation of the protection in the country of origin. As a result, the limitation on the copyright of domestic works of a member state is also exclusively governed by the domestic law of that state.[36] If a member state only imposes a copyright limitation on its domestic works, the question of whether or not such a copyright limitation is consistent with the state's obligation under the Berne Convention will

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[31] *See* Berne Convention art. 5(4).

[32] If a foreigner first published the work in that state, the country of origin of the work is in that state. So the term "domestic works" used in this article may include works created by foreigners.

[33] If a national of a member state first published the work in another member state, the latter is the country of origin of the work. So the term "foreign works" used in the article may include works created by nationals of a member state.

[34] *See* SAM RICKETSON & JANE C. GINSBURG, INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND ¶ 6.53, at 278 (2d ed. 2006).

[35] *See* WORLD TRADE ORG., WIPO GUIDE TO THE BERNE CONVENTION FOR THE PROTECTION OF LITERARY AND ARTISTIC WORKS (PARIS ACT, 1971) ¶ 5.9, at 34 (WIPO Publication No. 615(E)).

[36] Dr. Mihály Ficsor pointed out that: "National treatment means . . . the authors of works eligible for protection under Articles 3 and 4 of the Convention are supposed to enjoy the same rights – *with the same exceptions*, of course . . . ." (emphasis added). MIHÁLY FICSOR, GUIDE TO THE COPYRIGHT AND RELATED RIGHTS TREATIES ADMINISTERED BY WIPO: AND GLOSSARY OF COPYRIGHT AND RELATED RIGHTS AND TERMS ¶ BC-5.1, at 40 (2003) (WIPO Publication No. 891(E)).

never be raised. All the provisions allowing copyright limitations in the Berne Convention, however, shall have the effect of authorizing member states to impose such copyright limitations on foreign works.

This conclusion is best evidenced by the WTO case of *European Communities v. United States* regarding section 110(5) of U.S. Copyright Act. Article 11*bis* of the Berne Convention is also involved in this case. Article 11*bis* (1) provides that: "Authors of literary and artistic works shall enjoy the exclusive right of authorizing: . . . (iii) the public communication by loudspeaker or any other analogous instrument transmitting, by signs, sounds or images, the broadcast of the work."

Accordingly, communication to the public of the broadcast of works by radio or television set in public places such as restaurants or supermarkets needs authorization from the copyright owners. However, Article 11*bis*(2) allows member states to place limitations on rights mentioned in Article 11*bis*(1). In 1998, the United Sates enacted the Fairness in Music Licensing Act of 1998 to amend the Copyright Act.[37] Its new section 110(5) places limitations on the exclusive rights of performance, a part of which is equivalent to the right provided in Article 11*bis*(1)(iii) of the Berne Convention. Under section 110(5), some retail establishments as well as food service and drinking establishments are exempted from the obligation to pay royalties to copyright owners for their acts of public performance of broadcast of works.[38]

The European Communities alleged that the exemptions provided in Section 110(5) of the U.S. Copyright Act violated the United States' obligations, among others, under Article 11*bis*(1)(iii) of the Berne Convention, and that they could not be justified under any express or implied exception or limitation permissible under the Berne Convention or the TRIPs Agreement. The EC claimed that these measures taken by the U.S. caused prejudice to the legitimate rights of copyright owners, thus nullifying and impairing the rights of the EC.[39]

It is beyond this article's scope to fully discuss this case, but the implication of the dispute is very clear. The limitations of copyright provided in section 110(5) of the U.S. Copyright Act, which is allegedly consistent with Article 11*bis*(2) of the Berne Convention, apply to foreign works, including works originating in the member states of the EC. Otherwise, the interest of EC copyright owners would not be prejudiced, and would have been impossible for the EC to initiate the dispute settlement procedure in the WTO. In this case, the EC's argument was that section 110(5) of the U.S. Copyright Act deprived copyright owners of equitable remuneration,

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37 Pub. L. No. 105-298, 112 Stat. 2827.

38 17 U.S.C. § 110(5) (2012).

39 *See* World Trade Org., United States – Section 110(5) of the US Copyright Act, WT/DS160/R, ¶ 3.1, at 75.

which is required by Article 11*bis*(2) of the Berne Convention.[40] The EC never argued that the U.S. violated its obligation under the Berne Convention simply because section 110(5) applies to foreign works.

The WTO panel held that although Article 11*bis*(2) of the Berne Convention only authorizes member states to apply the system of compulsory licensing as a copyright imitation on the rights embodied in Article 11*bis*(1),[41] a member state still may place a copyright limitation on the same rights by which the use could be free of charge and without an authorization from the right owner, as long as the copyright limitation could pass the three-step test in Article 13 of the TRIPs Agreement.[42] In the end, the Panel concluded that Section 110(5)(A) of the U.S. Copyright Act met the requirements of the TRIPs Agreement and the Berne Convention, while Section 110(5)(B) did not.[43]

It is beyond doubt that the use of a work that is free of charge and without the authorization of the copyright owner, has more adverse impact on the interest of the copyright owner than a use by a compulsory license where the copyright owner could obtain remuneration. Since a copyright limitation in the U.S. Copyright Act, which allows free use of works without copyright owners' authorization, could lawfully apply to foreign works, how could a compulsory license for the same rights not be allowed to apply to foreign works? It is a logical conclusion that the compulsory license permitted by Article 11*bis*(2) of the Berne Convention could apply to foreign works by member states, which have prescribed it.

B. The Effect of Copyright Limitations in China: National Treatment and Supra-National Treatment

Since the effect of copyright limitations in international copyright treaties is to authorize contracting states to limit copyright of foreign works, all the provisions on copyright limitations in the China Copyright Law are able to apply to foreign works except for those that are not in conformity with international copyright treaties. Furthermore, although the legal ground for imposing copyright limitations on foreign works is the authorization of international copyright treaties, the articles that provide for specific limitations in international copyright treaties are not the only source of such an authorization. The additional copyright limitations that are created by a contracting state may still apply to foreign works as long as they are able to pass the three-step test codified by Article 13 of the

[40] *Id.* ¶ 6.85.
[41] *Id.* ¶ 6.87.
[42] *Id.* ¶ 6.88.
[43] *Id.* ¶ 7.1.

TRIPs Agreement.[44] For example, Article 22(12) of the China Copyright Law provides that the transliteration of a published work into braille for publication needs neither permission from nor payment of remuneration to the copyright owner of the work. This is not a copyright limitation specified in the Berne Convention or any other international copyright treaties that China has joined,[45] but this copyright limitation can lawfully apply to foreign works since it is able to pass the three-step test. The WTO panel's conclusion in the cast of *EC v. U.S.* mentioned above also confirmed that point.

Exceptions, however, do exist to the general rule of equal application of copyright limitations. Article 5(1) of the Berne Convention requires national treatment, which means authors of foreign works should be treated no less favorably than authors of domestic works who have been granted the minimum Berne protection. Nevertheless, the Berne Convention is not concerned with how authors of domestic works are protected domestically. In other words, there is nothing in the Berne Convention that prohibits so-called "supra-national treatment" where authors of foreign works are treated better than authors of domestic works. If a copyright limitation provided by a member state only applies to domestic works, supra-national treatment occurs due to the fact that authors of domestic works get less protection.

Even in the current copyright legislation of China, the scope of application of certain copyright limitations is intentionally narrowed for domestic works for various reasons, creating supra-national treatment. Article 22(11) of the Copyright Law provides that one does not need to get permission from or pay remuneration to the copyright owner to translate published works of *Chinese* citizens, legal entities or other organizations from Chinese into the languages of ethnic minorities for publication and distribution in China. Moreover, Article 9 of the Regulation the of the Right of Communication through Information Networks[46] provides for an opt-out system of compulsory licensing for network service providers to make available through the information network in rural areas the published

[44] Article 13 of the TRIPs Agreement provides that: "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."

[45] The Marrakesh Treaty was not concluded until July 2013, and has not yet come into effect.

[46] The "right of communication through information networks" in China is actually the right of making available provided by Article 8 of the WCT. *See* the definition of "right of communication through information networks" in Article 26.1 of the Regulation the of the Right of Communication through Information Networks, which is nearly the same as that contained in Article 8 of WCT.

works of *Chinese* citizens, legal entities or other organizations, which relate to poverty alleviation, such as works on cultivation, breeding, disease prevention and treatment, disaster prevention and mitigation, etc., or works, which suit basic educational requirements.[47] These two provisions create supra-national treatment since the relevant copyright limitations do not apply to foreign works, leading to better treatment for foreign authors.

It is of course undesirable and unusual for a state to treat its own authors less well than foreign authors,[48] so these two provisions in the copyright legislation of China are based on special policy considerations. On the one hand, neither the Berne Convention nor the other international copyright treaties explicitly allow the imposition of two such copyright limitations on foreign works, and the legislature in China was concerned the two copyright limitations might not pass the three-step test if applied to foreign works;[49] on the other hand, it is necessary to limit

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[47] It is a system of opt-out compulsory licensing. Before a service could lawfully make available works through information network to the public in rural areas, it must make the announcement about the titles and authors of the works it intends to use, as well as the rate for remuneration it intends to pay to the copyright owner. If a copyright owner does not express an objection within thirty days of the announcement date, the network service provider may make available the work and pays remuneration to the copyright owner at the announced rate. A copyright owner may object to the use of the work within thirty days of the announcement date, and in that case the service provider should not use the work. A copyright owner may also object to the use of the work after the service provider has made available the work through the networks, and the network service provider must stop making the work available and pay the copyright owner remuneration at the announced rate for the period during which it made available the work. *See* Regulation of the Right of Communication through Information Networks art. 9.

[48] *See* RICKETSON & GINSBURG, *supra* note 34, ¶ 6.53, at 278.

[49] The 1990 Copyright Law allows the free translation of *any* published works from Chinese into the languages of ethnic minorities for publication and distribution in China. *See* 1990 Copyright Law art. 22(11). After China joined the Berne Convention, the legislature expressed the concern in the process of amending the 1990 Copyright Law in 2001 by stating that: "the Berne Convention and the TRIPs Agreement do not contain such a provision . . . (that provision) is not suitable for application to foreigners." Hu Kangsheng, *supra* note 12, at 112; *see also* Yaohong, *supra* note 12, at 170. As a result, that copyright limitation was revised to be only applicable to domestic works. Likewise, in the process of drafting the Regulation of the Right of Communication through Information Networks, "some developed countries and international organizations expressed a different view on the special provision (of the opt-out system of compulsory licensing) relate to poverty alleviation, and they argued that such a provision will undermine the interest of copyright owners (of foreign works)." INTERPRETATION OF THE REGULATION OF THE RIGHT OF COMMUNICATION THROUGH INFORMATION NETWORKS 40 (Zhang Jianhua ed., 2006).

copyright to realize the goal of facilitating access to works by ethnic minorities and poor people in rural areas.[50] Under such circumstances, the best policy choice for the Chinese legislature was to impose the copyright limitations on domestic works only. In spite of the supra national treatment caused by the two copyright limitations above, the legislative purpose is achieved without the consequence of violating China's obligation under international copyright treaties.

The supra-national treatment in the copyright legislation in China confirms the observation in part II. How to protect and limit the copyright of *domestic* works is a state's internal affair, reflecting the state's sovereignty, and has nothing to do with international copyright treaties. Meanwhile, on the flip side of the coin, when an international copyright treaty allows a contracting state to place a specific copyright limitation in its domestic law, the limitation thus provided by that state shall have the effect of equal application to both domestic and foreign works.

The effect of copyright limitations in domestic law can be summarized in the following chart.

The relation of a limitation in domestic law with international copyright treaties	Application to foreign works	Application to domestic works
A limitation permissible under international copyright treaties	√ (national treatment)	√
A limitation that can pass the three-step-test	√ (national treatment)	√
A limitation that is not explicitly authorized by the international copyright treaties, nor it can pass the three-step-test	x (supra-national treatment)	√

[50] The rationale behind the provision allowing the free translation of published domestic works from Chinese into the languages of ethnic minorities is clearly stated by the legislator as "to promote the development of science and culture of ethnic minorities." Hu Kangsheng, *supra* note 12, at 112; *see also* Yaohong, *supra* note 12, at 171. Similarly, the legislative purpose of the system of opt-out compulsory licensing to make available certain works through networks in rural areas is: "to promote economic and cultural development in rural areas." Zhang Jianhua, *supra* note 48, at 39.

C. *Article 49.2 of the Third Draft Amendment Contradicts the Effect of the Berne Convention*

The above conclusion can be applied to analyze Article 49.2 in the third draft amendment of China Copyright Law, which is based on Article 11*bis*(2) of the Berne Convention, but confines the scope of the application of the compulsory license to Chinese works and foreign works created in China. Since Article 11*bis*(2) of the Berne Convention authorizes member states to introduce a system of compulsory licensing as a substitute for the exclusive right of broadcasting, the effect of such a provision is to authorize member states to subject *foreign* works to the copyright limitation, i.e., the system of compulsory licensing. If the legislative purpose of a provision on copyright limitation in China is to limit the right of broadcasting of *domestic* works for certain policy reasons, the Berne Convention or any other international copyright treaties shall not be taken into consideration anyway. For instance, if the legislature wishes to step back to the 1990 Copyright Law and exempt broadcasting organizations from the obligation to pay remuneration to the copyright owners of the works embodied in sound recordings (see Part I.A), converting the current system of compulsory licensing back into the free broadcasting of works embodied in sound recordings, the provision should apply only to domestic works to avoid conflict with Article 11*bis*(2) of the Berne Convention.

However, both the drafters' explanation and the legislative history make it clear that the compulsory license provided by Article 49 in the third draft amendment is not only intended to fully comply with Article 11*bis*(2) of the Berne Convention, but also actually based on Article 11*bis*(2). The explanation published along with the third draft amendment declares that: "in accordance with the *international treaties* . . ., five compulsory licenses in the current Copyright Law are adjusted .. . ."[51] Furthermore, as described in Part I.A, before the amendment of the 1990 Copyright Law in 2001, there existed supra-national treatment in the protection of the right of broadcasting. Article 43 of the 1990 Copyright Law allowed free use of certain works embodied in the published sound recordings by the broadcasting organizations, while the Regulation for the Implementation of International Copyright Treaties excluded the application of Article 43 to foreign works by providing that the broadcasting of foreign works shall be governed by the Berne Convention, which does not allow the free broadcasting of works. It was the very purpose for the amendment of the 1990 Copyright Law in 2001 to convert Article 43 into a compulsory license provision (Article 44 of the current Copyright Law) to "honor China's commitment to the international community . . . to con-

[51] *See supra* note 23, at 5-6.

form to international treaties,"[52] and to eliminate the supra-national treatment.[53]

Article 49 in the third draft amendment is derivative of Article 44 of the current Copyright Law, which provides for the system of compulsory licensing, and the key difference between the two articles is that the former applies only to Chinese works as well as foreign works created in China, and the latter applies equally to domestic and foreign works. Since Article 44 of the current Copyright Law is based on Article 11*bis*(2) of the Berne Convention, Article 49 in the third draft amendment must have the same basis.

Therefore, as a copyright limitation based on the Berne Convention and intended to comply with the Berne Convention, no matter how we interpret Article 11*bis*(2) of the Berne Convention, the compulsory license to broadcast certain works provided in Article 49 in the third draft amendment should have been designed to apply to all works, domestic works or foreign works alike. The contrary conclusion contradicts the effect of the copyright limitation in the Berne Convention.

III. ARTICLE 11 BIS (2) OF THE BERNE CONVENTION AND ARTICLE 49.2 OF THE THIRD DRAFT AMENDMENT

It is beyond doubt that a copyright limitation in domestic law that is allowed by the Berne Convention can apply equally to domestic and foreign works. But why did the drafters of the third draft amendment recognize that the compulsory license provided in Article 49.1 is intended for compliance with the Berne Convention on the one hand, while denying its application to foreign works in Article 49.2 on the other hand? In this author's observation, it is because that the drafters interpret Article 11*bis*(2) of the Berne Convention in a certain way. It is necessary to discuss where this interpretation comes from and why it is wrong.

*A. The Misinterpretation of Article 11*bis*(2) of the Berne Convention in China*

As the basis of Article 49.2 of the third amendment of China Copyright Law, Article 11*bis*(2) of the Berne Convention authorizes member states to place certain copyright limitations on the right of broadcasting and related rights provided in Article 11*bis*(1). Article 11*bis*(2) reads as follows:

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52 Hu Kangsheng, *supra* note 12, at 184; *see also* Yaohong, *supra* note 12, at 256. It is particularly noteworthy that the two authoritative books then quoted Article 11*bis*(2) of Berne and Article of TRIPs as the specific requirements with which the China Copyright Law should comply.

53 Hu Kangsheng, *supra* note 12, at 182; *see also* Yaohong, *supra* note 12, at 254.

> It shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised, but *these conditions shall apply only in the countries where they have been prescribed.* (emphasis added)

Since Article 49.2 confines the scope of the application of the compulsory license provided by Article 49.1 to works of "Chinese copyright owners and foreign copyright owners whose works created in China," it is clear that in the drafters' understanding, the expression "these conditions shall apply only in the countries where they have been prescribed" means that "these conditions shall apply only *to the works* in the countries where they have been prescribed." Accordingly, it seems to the drafters that although that article allows China to provide for a compulsory license, the provision is only allowed to apply to domestic works. Therefore, whether Article 49.2 in the third draft amendment is appropriate depends on the proper interpretation of that expression contained in Article 11*bis*(2) of the Berne Convention.

In this author's view, that understanding is based on a misinterpretation of Article 11*bis*(2) of the Berne Convention. It not only contradicts the effect of the Berne Convention, as discussed in the previous part, but also conflicts with the literal meaning of Article 11*bis*(2). The expression "these conditions shall apply only in the countries where they have been prescribed" contained in Article 11*bis*(2) obviously limits the territorial scope to which the copyright limitation applies, rather than limiting the scope of the origins of works. Otherwise, the expression should have been, "these conditions shall apply only to *works whose countries of origin* are the countries where they have been prescribed."

The question remains, however, why the drafters understood that expression in a way that obviously conflicts with its literal meaning? The answer might lie in the fact that the expression seems redundant since any domestic law can only apply in the state's own territory. Without that expression, any copyright limitation imposed by any state still cannot apply extraterritorially. That expression would not have made any sense if it only repeated the principle of territoriality. In addition, it is particularly important to note that among all the provisions on copyright limitations in the Berne Convention, only Article 13(1), which allows member states to introduce a system of compulsory licensing as a substitute for the exclusive right of recording musical works, used the similar expression to narrow the scope of the application of the compulsory license. Article 13(1) reads as the follows: "Each country of the Union may impose for itself reservations and conditions on the exclusive right . . . .; but *all such reservations and conditions shall apply only in the countries which have imposed them* . . . . (emphasis added)

Since Article 11*bis*(2) and 13(1) are unique in using the expression, it is natural for the drafters in China to pay special attention to that expression. Once again, in the drafters' opinion, if that expression were intended to emphasize the principle of territoriality, all the other provisions on copyright limitations in the Berne Convention should have used the same expression. It could be reasonably assumed that if the compulsory license to record musical works were still kept in the third draft amendment,[54] the scope of its application would have been narrowed to works of "Chinese copyright owners and foreign copyright owners whose works created in China," since that copyright limitation is based on Article 13(1) of the Berne Convention. This author argues that drafters of the third amendment misinterpreted Article 11*bis*(2) of the Berne Convention because they failed to distinguish different effects on the cross-border flow of works by various copyright limitations allowed by the Berne Convention.

An unauthorized use of a copyrighted work in a member state might have extraterritorial effect in another member state. For instance, a copy of a work that has been produced and distributed in state A might be exported to state B. Is state B obliged to allow the distribution of that copy in its own territory? If the unauthorized use of the work is permitted by state A's domestic law, which is consistent with a specific copyright limitation proscribed by the Berne Convention, the answer depends on the legislative purpose of the specific copyright limitation in the Berne Convention.

Professor Silke von Lewinski distinguished the limitations of copyright in the Berne Convention according to the interests to be protected. The first class of limitations is provided in favor of interests of the general public, while the second class of limitations promotes interests of specific groups of the society. Accordingly, the limitations provided by Article 11*bis*(2) and Article 13(1) of the Berne Convention belong to the second class because they are for the interests of broadcasting organizations and phonogram producers, and the rest of the limitations in the Berne Convention belong to the first class.[55]

Since the first class of limitations is provided for the interests of the general public, the Berne Convention takes a lenient attitude by allowing member states to prescribe conditions, under which works could be used free of charge and without authorization of the copyright owners, as a substitute for the exclusive right or the right of remuneration. More importantly, no provisions on copyright limitations of the first class contain the expression that the limitations "shall apply only in the countries where

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[54] The compulsory license to record musical works is removed by the draft amendment of the China Copyright Law. *See supra* note 13.

[55] *See* VON LEWINSKI, *supra* note 29, ¶ 5.153, at 153.

they have been prescribed." It follows that as long as an unauthorized use of a work satisfies the conditions provided by the domestic law of a member state to be treated as a lawful use, and that domestic provision is in conformity with a specific copyright limitation of the first class in the Berne Convention, that unauthorized use, which has occurred in the member state shall be accepted as a lawful use too in any other member states. For instance, Article 22(4) of the China Copyright Law provides that the following act needs neither permission from nor remuneration to the copyright owner:

> The reproduction by the media such as a newspaper and periodical or the broadcasting by a radio station or television station, of an article published by another newspaper or periodical, or of broadcast of the article by another radio station or television station, etc. on current political, economic or religious topics, in cases in which the reproduction or broadcasting thereof is not expressly prohibited by the author.

Suppose that a journal in China reprinted without permission an article on current economic topics written in Chinese, which was created by a Singapore citizen and first published in a journal in Singapore. Since the unauthorized reproduction by the Chinese journal was allowed by Article 22(4) of the China Copyright Law, which is consistent with Article 10*bis* of the Berne Convention,[56] that Chinese journals containing the reproduction of the article shall not be regarded as an infringing copy in Singapore simply because the reproduction of the article was not authorized by the Singapore author,[57] as long as the Singapore author did not declare to prohibit the reproduction of his article.

By contrast, the Berne Convention put more restrictions on the second class of limitations, i.e., the limitations of the right of broadcasting and the mechanical right of recording musical works, since those limitations only concern the industry interests. As a result, the Berne Convention does not allow member states to provide such a copyright limitation that the use of works by the broadcasting organizations and phonogram pro-

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[56] That article provides that:

> (1) It shall be a matter for legislation in the countries of the Union to permit the reproduction by the press, the broadcasting or the communication to the public by wire of articles published in newspapers or periodicals on current economic, political or religious topics, and of broadcast works of the same character, in cases in which the reproduction, broadcasting or such communication thereof is not expressly reserved. Nevertheless, the source must always be clearly indicated; . . . .

[57] It is noteworthy that the importation of the Chinese journal for sale in Singapore without the authorization of the copyright owner may constitute the right of importation provided by Singapore Copyright Act. *See* Singapore Copyright Act art. 32 (which is not related to the issue discussed in this article).

ducers needs neither authorization of copyright owners nor payment of remuneration. Instead, only a compulsory license is allowed to the extent that the copyright owners could be paid equitable remuneration by the broadcasting organizations and phonogram producers.

Furthermore, the expression that the limitations "shall apply only in the countries" where the limitations have been provided is used to restrict the scope of the influence of the limitations. In a sharp contrast to the first class of limitations, even if an unauthorized use of a work by the broadcasting organizations and phonogram producers satisfies the conditions provided by the domestic law of a member state to be treated as a lawful use, and such domestic provisions are in conformity with Article 11*bis*(2) and Article 13(1) of the Berne Convention, that specific unauthorized use, which has occurred in that member state may not be accepted as a lawful use in other member states. In this way, the conditions under which an unauthorized use is recognized as a lawful use "apply only in the countries" where they have been prescribed.

For instance, the current China Copyright Law provides for a compulsory license for phonogram producers to record musical work. Article 40.2 reads as follows:

> In respect of a musical work of which a sound recording has already been made by others, any producer of sound recordings may use that musical work to make sound recordings without the permission from the copyright owner, but shall pay remuneration as prescribed to the copyright owner. It is apparent that the provision is based on Article 13(1) in the Berne Convention.[58]

Suppose that a Singapore author first published a musical work in Singapore, and then authorized a record company to make a phonogram in China. Another record company in China then made a new phonogram of that musical work without the authorization, but paid the compulsory license fee to the Singapore author. The unauthorized act of the second record company is perfectly lawful in accordance with Article 40.2 of the China Copyright Law. The application of Article 40.2, however, is subject to the provision that "conditions [for a compulsory license] shall apply only in the countries which have imposed them" in Article 13(1) of the

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[58] Article 13(1) of the Berne Convention provides that:

> (1) Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorized by the latter, to authorize the sound recording of that musical work, together with such words, if any; but all such reservations and conditions shall apply only in the countries which have imposed them and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.

Berne Convention. This means that when copies of that new phonogram crosses the border of China and enter Singapore, Singapore, as another member state of the Berne Convention, is not obliged to recognize that the phonogram is lawful. Instead, the copies of that phonogram could be seized as infringing copies of the musical work. Article 11(3) of the Berne Convention provides that: "Recordings made in accordance with paragraphs (1) and (2) of this Article and imported without permission from the parties concerned into a country where they are treated as infringing recordings shall be liable to seizure."

From this provision, a conclusion could be made that the expression "conditions [for a compulsory license] shall apply only in the countries which have imposed them" used in Article 13(1) of the Berne Convention does not mean that the compulsory license to record musical works shall apply only to *domestic* musical works. Otherwise Article 13(3) would not make any sense, because only when that compulsory license provided by domestic law applies to foreign works, could the phonograms thus made possibly be "treated as infringing recordings" in a foreign country of importation. Therefore, the expression "conditions (for compulsory license) shall apply only in the countries which have imposed them" means that the conditions under which an unauthorized use of musical works is lawful disappear in other member states. As a consequence, the cross border flow of the new phonogram thus compulsorily licensed is restricted.

Since the expression "conditions (for compulsory license) shall apply only in the countries" is also used in Article 11*bis*(2), it should have the same meaning as that used in Article 13(1). It is not only because that the same expression should be given the same meaning in one treaty, but also because the two articles have the same nature of serving interests of certain industries rather than interests of the general public.

By the same token, the expression "these conditions shall apply only in the countries where they have been prescribed" used in Article 11*bis*(2) means that the unauthorized broadcast of works, which has been lawfully made in accordance with the compulsory license provided by the domestic law of a member state, loses its lawful character in other member states. For instance, in accordance with Article 44 of China Copyright Law, it is lawful for China Radio International ("CRI") to broadcast without permission a CD, which embodies a musical work created by a Singapore citizen and first published in Singapore, as long as CRI pays the compulsory license fee to the author through the collective management society. Nevertheless, if the broadcast signal could be received in Singapore, Singapore would not have the obligation to recognize the legality of the broadcast, and in this circumstance CRI needs a license from the author.

Therefore, the expression "these conditions shall apply only in the countries where they have been prescribed" used in Article 11*bis*(2) does

not mean that the compulsory license allowed by this article applies only to domestic works. Therefore, it could be concluded that Article 49.2 of the third amendment of the China Copyright Law was drafted on the basis of a misunderstanding of that expression. Article 49.2 is not appropriate since it unreasonably restricts the scope of the application of the compulsory license to "Chinese copyright owners and foreign copyright owners whose works are created in China."

B. The Negative Effects of Article 49.2 of the Third Draft Amendment

Article 49.2 of the third draft amendment, if adopted by the People's Congress, will not only create unjustified supra-national treatment, but also have negative effects as follows. First, broadcasting organizations need permission from copyright owners of most foreign works to broadcast them to the public, since foreign works are not subject to the compulsory license provided by the article 49.1 of the third draft amendment, as long as they were not created in China. Given the significant number of copyrighted works that broadcasting organizations broadcast in daily business, it is just impossible for them to get individual licenses in practice.

To make things worse, there is no mandatory collective management system for the right of broadcasting, including the sub-right of retransmission by wire or wireless means.[59] This means that those foreign copyright owners who are not members of the collective management societies of their own countries could individually exercise their exclusive right of broadcasting to refuse authorization or to sue the broadcasting organizations for the unauthorized broadcasting of their works. There will be a great risk for broadcasting organizations in China of being sued by foreign copyright owners for copyright infringement.

Second, the Provisional Measure for Radio and Television Stations to Pay Remuneration for the Broadcasting of Sound Recordings, which was promulgated by the State Council in 2009 and effective in 2010, would partially lose its effect. That Provisional Measure provides that radio and television stations may negotiate with the collective management society for the rate of compulsory license fee for the broadcasting of the works embodied in sound recordings.[60] The Provisional Measure also establishes

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[59] A typical example of a mandatory collective management system can be found in the European Community's Directive on the Coordination of Certain Rules concerning Copyright and Rights Related to Copyright Applicable to Satellite Broadcasting and Cable Retransmission. Article 9 provides that: "Member States shall ensure that the right of copyright owners and holders or related rights to grant or refuse authorization to a cable operator for a cable retransmission may be exercised only through a collecting society."

[60] *See* Provisional Measure for Radio and Television Stations to Pay Remuneration for the Broadcasting of Sound Recordings art. 2.

a standard for calculation of the compulsory license fee in case that the negotiation fails.[61]

As discussed in part I.A, since audiovisual works were excluded from the scope of the compulsory license to broadcast works from the beginning of Chinese copyright legislation, the majority of the works covered by the compulsory license are musical works. Therefore, in accordance with Article 44 of the current Copyright Law and the Provisional Measure, Music Copyright Society of China ("MCSC"), the only collective management society for musical works in China, has already entered into agreements on the payment of compulsory license fees with more than forty radio stations and thirty television stations all over the country.[62] In addition, the MCSC has already signed reciprocal representation contracts with collective management societies in more than fifty countries and regions.[63]

It should be emphasized that under Article 44 of the current Copyright Law, the compulsory license to broadcast works embodied in sound recordings applies equally to domestic and foreign works. Therefore, radio and television stations in China do not need authorization from the copyright owners of foreign works to broadcast the sound recordings embodying the works, and they only need to pay compulsory license fees. Accordingly, there is no need for the MCSC to negotiate with foreign collective management societies to get the license for the broadcasting of works embodied in sound recordings, and MCSC only needs to transfer the compulsory license fees it collects from radio and television stations to the relevant foreign collective management societies. Therefore, with respect to the foreign authors who have joined these foreign collective management societies, which have signed reciprocal representation contracts with MCSC, those radio and television stations that have entered into agreements with MCSC may lawfully broadcast their musical works and pay remuneration to them through MCSC.

Article 49.2 of the third draft amendment, however, is trying to change the status quo. The exclusion of most foreign works from the scope of compulsory license means that the Provisional Measure, which was only effective not long ago, can no longer apply to most foreign works. The MCSC needs to negotiate individually with collective management societies in other countries to get a blanket license for broadcasting organizations in China to broadcast the musical works in their repertory. It could be imagined that the rate of royalties set through negotiation reflecting market forces will be higher than that set by the Provisional Measure

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61 *Id.* art. 4.

62 *See* PERIODICAL OF THE MCSC, 2014, no. 27, at 6, *available at* http://www.mcsc.com.cn/pdf/php7ZBpTT.pdf.

63 *See General Introduction*, MCSC, http://www.mcsc.com.cn/mcscInforList.php?partid=5 (last visited Apr. 21, 2015).

embodying the governmental policy to promote development of the broadcasting industry. The dramatic increase of royalties to broadcast foreign works might go beyond the means of many radio and television stations in China.

Finally, Article 49.2 of the third draft amendment creates unjustified discrimination against those foreign authors who created their works in China. Article 49.2 applies the compulsory license only to works of "Chinese copyright owners and foreign copyright owners whose works are created in China." Suppose that there are two Singapore citizens who first published their works in Singapore, but the first author created the work in China. In accordance with Article 49.2, the first author is subject to the compulsory license in China while the second author is not.

This unequal treatment is not compatible with the Berne Convention, and reflects another misunderstanding of the Berne Convention. Article 5(4) of the Berne Convention provides that:

> The country of origin shall be considered to be: (a) in the case of works first published in a country of the Union, that country; . . . (c) in the case of unpublished works or of works first published in a country outside the Union, without simultaneous publication in a country of the Union, the country of the Union of which the author is a national, ...

In addition, Article 5(3) provides that: "Protection in the country of origin is governed by domestic law. However, when the author is not a national of the country of origin of the work for which he is protected under this Convention, he shall enjoy in that country the same rights as national authors."

Taking the two Singapore authors' situation mentioned above as an example once again, since both authors first published their works in Singapore, the country of origin of both works is Singapore, and China should give both authors national treatment by granting them the same rights and subjecting them to the same limitations of copyright.[64] If a Singapore author creates the work in China, but chooses not to publish it anywhere, the country of origin is still Singapore of which the author is a national. In other words, country of origin has nothing to do with the geographical area where a work is created. It seems that the drafters of the third amendment misinterpreted the term "country of origin" as "country of where a work is created."

CONCLUSION

To conclude, since Article 49.2 of the third amendment to the China Copyright Law is based on misinterpretations of the Berne Convention, and would have negative effects on the broadcasting industry in China, it

[64] See Article 5 (1) of the Berne Convention.

should be deleted. By doing so, a compulsory license for broadcasting organizations to broadcast certain works applies equally to domestic and foreign works, and such a copyright limitation is consistent with Article 11*bis*(2) of the Berne Convention without causing unjustified supra-national treatment or negative effects on the broadcasting industry in China.

PART II

BOOK REVIEW

Review of

WHAT'S WRONG WITH COPYING? by Professor Abraham Drassinower, Ph.D. Chair, Legal Ethical and Cultural Implications of Technological Innovation, University of Toronto, Faculty of Law. Harvard University Press. 2015. 288 pp. $39.95.

Reviewed by ANDREA RUSH*

Professor Drassinower persuasively delivers meaning and clarity by asking and answering the fundamental question, what's wrong with copying? The response links author and authorization. As set out in the introduction, page 14:

> [A] ventriloquist is not any less of a ventriloquist because he compels me to say what I have already said, or what I would have in any case said or repeated of my own volition. The problem is not in the content of what he makes me say. Rather, it is that he removes my choice whether to speak. He disposes of my speech in the absence of my authority. . . .

This question and answer frame the discussion spanning roughly 200 pages of pointed commentary, divided into six chapters and summary dedicated to the fundamentals of copyright law in civil and common law traditions. The chapters are entitled, respectively: 1. The Poverty of Value, 2. Originality as Speaking in One's Own Words, 3. The Work as a Work, 4. Infringement as Compelled Speech, 5. The Public Domain as Dialogue, 6. Copyright and the System of Rights, and 7. By Way of Conclusion: A Note on Copyright Citizenship. Topics covered include entitlement of an author to claim protection and entitlement of users to mine the public domain. Essential concepts such as originality vs. novelty, idea vs. expression, distinctions between patent, trademark and copyright laws are explored philosophically and simplified. In sum, copyright law fosters dialogue while other areas of law serve different interests — avoiding duplication. A work of copyright- unlike a patentable invention or trade-mark/brand — is a communicative "act."

Each word of the book is carefully selected; concepts are discussed in depth then clarified and summarized. In this way, the book meets Professor Drassinower's definition of copyright works — nouns — functioning as communicative acts- verbs. His work reads like a spellbinding interactive classroom lecture, essentially a discussion between the author and the reader. In tones at once proposing, imploring, challenging, and questioning, the reader is urged toward a cadenza, which finds commonality be-

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tween author, authorization, and extols the virtues of authenticity. Framed in this manner, the foundation emerges for a principled, workable global structure, which co-exists with private international laws. Framed in this manner creators are not pitted against users to wrestle for the balance.

An author centric approach upholds the public domain by finding common because users are also authors (e.g. creators of derivative works) and the public interest is best served by communication rather than miscommunication. This analysis can happily coexist within the matrix of disparate international laws. It is consistent with the values of seemingly opposed models such as proprietary and open source, relieves the calculus of over versus under protection, which anchors infringement analysis in quantity, quality, ideas and expression - and transcends time and space. Professor Drassinower comfortably breathes meaning into copyright law, countering those suggestions that a world without copyright law would be a better place.

The book is so interesting to read. First the conflict is defined. Then the resolution is offered. And in the middle is the dialogue. One hears the voice of Professor Drassinower in every sentence. Every word counts. His tone speaks with heartfelt commitment. His rhythm is punctuated with questions, thoughts, commentary, and just when the issues seem so complex that the reader is tempted to answer back with a question, Professor Drassinower weighs in with punctuation: "the point is". . . Once again he has knit together the voices of controversy and, with a soothing balm, treats the gashes left by controversy.

"What's wrong with . . .." is a powerful analytical approach adaptable to areas of intellectual property law, which remain under scrutiny because the economics of a digital environment elude owners and users alike. Some copying is wrong. Some copying is right. Blurred lines separate right from wrong, lawful from unlawful. Eligibility of subject matter is open and the public domain is undefined. Remedies are civil and criminal. Injunctions extend beyond geographical borders. Treaties designed to level playing fields may differ in the details of domestic implementation. By thoughtfully wrestling with uncertainty, stability can be achieved even in the wake of technological change. The author-centric analysis is thus timely and necessary.

PART III

ADMINISTRATIVE DEVELOPMENTS

ADMINISTRATIVE DEVELOPMENTS

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37 C.F.R. Part 380. Copyright Royalty Judges Announce Negotiated Rates and Terms for Digital Performance Right in Sound Recordings and Ephemeral Recordings, 80 Fed. Reg. 58,201-07. The Copyright Royalty Judges have published final regulations setting royalty rates and terms under sections 112 and 114 of the Copyright Act for the digital performance of sound recordings by certain noncommercial educational webcasters and for the making of ephemeral recordings to facilitate transmission of those performances. The rates reflect a settlement between SoundExchange, Inc., and College Broadcasters, Inc. These negotiated rates apply to the period from January 1, 2016, through December 31, 2020. For more information, go to http://www.loc.gov/crb/fedreg/2015/80FR58201.pdf.

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Register of Copyrights Issues Opinion on Novel Question of Law Relating to Webcaster Rates. The Copyright Royalty Judges ("CRJs"), acting pursuant to statute, referred novel material questions of substantive law to the Register of Copyrights for resolution. 80 Fed. Reg. 58,300-07. Those questions concerned the manner and extent to which section 114(f)(5)(C) of the Copyright Act bars the CRJs from admitting into evidence or otherwise considering the provisions contained in settlement agreements reached pursuant to the Webcaster Settlement Act of 2009. The Register resolved those questions in a written decision that was transmitted to the CRJs. For more information, go to http://www.loc.gov/crb/fedreg/2015/80FR58300.pdf.

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37 C.F.R. Part 380. Copyright Royalty Judges Announce Negotiated Rates and Terms for Digital Performance Right in Sound Recordings and Ephemeral Recordings for Certain Public Radio Stations, 80 Fed. Reg. 59,588-93. The Copyright Royalty Judges have published final regulations setting royalty rates and terms under sections 112 and 114 of the Copyright Act for the digital performance of sound recordings by certain public radio stations and for the making of ephemeral recordings to facilitate transmission of those performances. The rates reflect an agreement among SoundExchange, Inc., National Public Radio (NPR), and the Corporation for Public Broadcasting regarding royalty rates and terms for certain digital transmissions by NPR, American Public Media, Public Radio International, and certain public radio stations. These negotiated rates apply to

the period from January 1, 2016, through December 31, 2020. For more information, go to http://www.loc.gov/crb/fedreg/2015/80FR59588.pdf.

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Web IV Proceeding – Supplemental Briefing on Novel Question of Law. The Copyright Royalty Judges have issued an order in the pending Web IV proceeding to determine rates and terms applicable under the section 114 and 112 statutory licenses (Docket No. 14-CRB-0001-WR) to refer the following novel material question of substantive law to the Register of Copyrights for decision:

Does Section 114 of the Act (or any other applicable provision of the Act) prohibit the Judges from setting rates and terms that distinguish among different types or categories of licensors, assuming a factual basis in the evidentiary record before the Judges demonstrates such a distinction in the marketplace?

Initial briefs addressing this question were due from the proceeding participants on October 2, 2015, and responsive briefs were due on October 9, 2015. These briefs are posted on the Copyright Office website. A list of parties that have submitted briefs and links to the briefs are available at http://http://copyright.gov/rulemaking/web-iv/.

The Register of Copyrights is inviting participants in the Web IV proceeding, as well as other interested parties, to file supplemental briefs on the referred question. The Register is requesting input on three specific issues. Supplemental briefs are due no later than October 26, 2015. The Register's specific inquiries, and instructions for submitting briefs, are set forth in the Register's order. The text of the order is available at http://http://copyright.gov/rulemaking/web-iv/webiv-usco-order.pdf.

PART IV

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